

LEEDS COLLEGE OF BUILDING GROUP

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 JULY 2021

2020/21

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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	*Board Attendance
Mrs Julia Evans - Chair of Board	April 2018	July 2021	External	Performance & Remuneration	100%
Mr Peter Norris	February 2017	N/A	External	Audit, Search & Governance, Performance & Remuneration	100%
Mr Derek Whitehead	January 2019	N/A	Principal & CEO	Student Liaison, Search & Governance	100%
Mr Simon Bray	February 2018	N/A	Staff Governor	Student Liaison	78%
Mr Andrew Kenny	August 2017	July 2021	External	Audit, Student Liaison	100%
Mr Derek Packer	May 2018	N/A	External	Student Liaison, Search & Governance	100%
Mr Mark Roper	August 2019	N/A	External	None	89%
Prof Dave Russell	May 2018	N/A	External	None	78%
Ms Rachel Lindley	September 2018	N/A	External	Audit, Student Liaison	78%
Ms Caroline Meehan	January 2019	N/A	External	None (Lead Governor Safeguarding and Prevent)	56%
Ms Sarah Wilson	January 2019	N/A	External	Audit	56%
Ms Jackie Wignall	April 2019	July 2021	Staff Governor	Search & Governance, Student Liaison	100%
Mr Mark Scott	November 2019	N/A	External	None	56%
Mr Oliver Harding-Jeans	March 2021	N/A	Student Governor	Student Liaison	100%
Mr Ian Frear	April 2021	July 2021	External	None	100%
Ms Debbie Forsythe-Conroy	April 2021	N/A	External	Audit	100%
Mr Matthew Shields	June 2021	N/A	External	Audit	100%
Ms Clare Harrigan	June 2018	N/A	External	Co-opted to Search & Governance Committee	N/A

* Board attendance is based on the nine Board meetings undertaken in 2020/21, or the date of appointment if commenced in 2020/21.

Professional advisers

Financial statements auditors
and reporting accountants:

RSM UK Audit LLP
First Floor
Two Humber Quays
Wellington Street West
Hull
HU1 2BN

Internal auditors:

ICCA LLP
Charles House
Great Charles Street Queensway
Birmingham
B3 3HT

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

Key Management Personnel

Governance Advisor & Clerk to the Corporation – M Beardsall

Executive team

Principal and Chief Executive - D Whitehead
Vice Principal Finance & Resources - D Pullein
Vice Principal Teaching, Learning and Quality - N Davis

Operating and Financial Review

Nature, Objectives and Strategies

The members present their report and the audited financial statements for the year ended 31 July 2021. These consolidated financial statements incorporate the results of the College's trading subsidiary, LCB Enterprises Limited.

COVID-19 has affected both 2019/20 and 2020/21 financial / academic years. Many learners, particularly Apprentices, were unable to complete by their end date due to the lack of practical training during lockdowns. The College is working tirelessly to complete qualifications and allow learners to complete and also collect outstanding achievement funding.

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 page 2. 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 learners
- Strong learner 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 learners / 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 learners and the wider society".

Operating and Financial Review *(continued)*

Strategic Aims:

- Offering the highest quality education and learner 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.

Financial objectives

COVID-19 has had a detrimental affect on College income in the following areas:

- Achievement funding
- Apprenticeship enrolments
- Short Course income
- Adult Education Budget (AEB) income
- Catering income.

This was offset, in part, by reductions in operating expenses due to lockdowns and a reduction in part-time teaching costs.

The College's financial objectives are:

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

	2020/21 Actual	2019/20 Actual
Cash balance	£5,155,000	£2,060,000
Adjusted Current ratio	1.49:1	1.23:1
Dependency on Grant income	65%	64%
Pay as a % of income (excluding FRS 102 pension costs)	65%	60%
Adjusted Cash days in hand	105	39

The College embarked on construction of its South Bank 1 campus in 2016/17 and completed and started teaching in 2018/19. The effect on finances was known and budgeted and resulted in the College being put in to "Early intervention" by the ESFA. The plan, post completion was to return to "good" financial health which the College did, earlier than planned, in 2018/19. The College was taken out of "Early Intervention" by the ESFA in November 2020.

Continued disruption caused by COVID-19 made 2020/21 a difficult year with many learners, particularly apprentices, not achieving a timely completion due to lockdown and insufficient time spent on the practical element of their course. Despite this, the College had a good year financially and its objective to strengthen the balance sheet, increase cash balances and return to net current assets was achieved.

The Group generated an operating deficit in year of £974,000 (2019/20: surplus £174,000).

Operating and Financial Review *(continued)*

Financial objectives *(continued)*

The Group has accumulated reserves of (£508,000) (2019/20: (£2,706,000)).

Tangible fixed asset additions during the year amounted to £608,000.

The College has significant reliance on the Education & Skills Funding Agency for its principal funding source.

The College has a subsidiary company, LCB Enterprises Ltd which was set up as a design and build company to deliver the College's long-term accommodation strategy.

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.

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.

Cash flows

Cash flow increased dramatically during the year, but the year end figure does include £700,000 of Condition Fund grant unspent and AEB funds which are expected to be clawed back in the region of £406,000.

Operating cash inflow was £3,189,000 (2019/20: inflow £1,944,000).

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, excluding pension deficit, stands at £11,831,000 (2019/20: £10,964,000). The reserves including pension deficits has resulted in a net liability on the balance sheet of (£508,000).

Operating and Financial Review (continued)

Financial objectives (continued)

Current and Future Development and Performance

Quality of Teaching & Learning

Following the Ofsted Inspection in 2019, at which the College was graded 2 (Good) for all areas of provision, the College continues to focus on further improving the quality of teaching, learning and assessment. The College has continued a mixture of online and face to face delivery, depending upon the national lockdowns and the Faculties approach. The Higher Education and Construction Design Management Faculty maintained continuous online learning all year, with only a small amount of face-to-face delivery for practical subjects. The other two Faculties were brought back into the College for delivery as soon as the national lockdowns were lifted. Throughout this time, students feedback sessions and learning walks were undertaken, to monitor the quality of teaching and learning through the pandemic.

Observations of Teaching, Learning & Assessment (OTLA)

Observations of teaching and learning during 2020/21 were delayed due to the second national lockdown and the need to maintain COVID-19 measures. The revised Curriculum Area Review (CAR) process has now been implemented in 2021/22. Observations of teaching and learning happened through learning walks, both virtual and physical (when possible). The approach was a supportive one, with Advanced Practitioners and the Quality Improvement and Enhancement Manager offering help, advice and training for any teaching staff or wider teams.

Customer Satisfaction

Overall, the internal learner satisfaction surveys show a positive picture for Leeds College of Building. The picture is limited for this academic year however as the FE Choices Employer Survey was suspended for 2020/21, as was the FE Choices Student Survey.

Internally, Student Perception of College (SPOC) results were strong, as detailed below.

Key Performance Indicators	College Target 2020/21	November 2020 SPOC1	June 2021 SPOC2 FE	June 2021 SPOC2 HE
"I am achieving what I came to do"	98%	97%	97%	96%
"I enjoy being at College"	94%	91%	93%	83%
"I would recommend the College to a friend"	94%	94%	96%	89%
"I feel safe"	98%	98%	98%	96%

2020/21 marked a change in how learners were surveyed. Learners on courses up to and including L3 completed the traditional College survey, with learners on L4+ courses completing a revised survey which mirrors the National Student Survey (NSS). This approach was taken so as to better reflect the learner experience and make direct comparisons with other HEIs.

The core question result about course satisfaction is slightly below the NSS score – with 73% agreeing that they are satisfied with their course. The NSS figure for this question has dropped from 83% last year to 75% this year.

Question	NSS National % agree score	SPOC2 HE % agree score
Overall, I am satisfied with the quality of the course.	75%	73%

Operating and Financial Review *(continued)*

Financial objectives *(continued)*

Customer Satisfaction *(continued)*

External Verifier / Moderator Reports

All external verifier and moderator reports for the academic year 2020/21 showed full compliance with Awarding Organisation requirements and were very positive. Curriculum staff worked very positively with the changes to Awarding Organisation requirements of calculated grades and moderated assessments, ensuring no learner was disadvantaged due to the national lockdown.

External verifiers commented on the high quality of learner 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.

Learner numbers

In 2020/21 the Group has delivered activity that has produced £7,116,000 in main Education and Skills Funding Agency (ESFA) funding (2019/20: £6,816,000). The College had 4,556 (2019/20: 4,302) Education and Skills Funding Agency funded learners and 982 (2019/20: 1,632) non-Education and Skills Funding Agency funded learners.

Learner achievements

Education programmes for Young People

16-18 achievement has maintained its position with achievement at 80.8%. Pass rates are high at 92.8%, with retention at 87.1%. Achievement on GCSE programmes and Functional Skills programmes are much improved and are at the national average.

Adult Learners

19+ achievement has remained good at 86.3%. Pass rates were very high at 95.4% and retention at 90.4%.

Subcontracting

Subcontracting for Apprenticeships has reduced slightly but remains stable at 69.4% with a national average of 61.9%. Subcontracting for the Adult Education Budget was affected by the pandemic and the subsequent introduction of economic recovery programmes such as Kick Start which diverted learners from completing their programme. Achievement rates were 89.1% against a national average of 96.9%.

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

Collaboration with employers, the community and suppliers

As a result of Covid-19 health and safety measures, Study Programme learners had limited experience with employers. Where possible external work placements, site visits, demonstrations, and product testing and employability skills development through mentorship programmes and careers events continued, but significant numbers were either moved online or cancelled.

Manufacturers from the construction and built environment sector continue to significantly support the College and its learners through sponsorship, demonstrations, and guest speakers. 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.

Operating and Financial Review (continued)

Current and Future Development and Performance

College-wide Achievements

- Re-accreditation of Matrix Standard (Information, Advice & Guidance)
- Thirteenth place in the national "Rate my Apprenticeship Awards".

Future Curriculum Developments

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 over the past three years (pre COVID-19). The partnership with Leeds Beckett University has now come to fruition with the Degree Apprenticeship programme now able to start delivery in September 2021.

For Study Programmes, the College continues to develop and increase access to work placements, which allows the learners to develop essential employability skills. All learners now study GCSE English and maths, with progress improving to a positive position and high grades being around the national average.

T Levels are in development, for first enrolment in September 2020 nationally. For the College, developments are ongoing and support from the ESFA and The Education and Training Foundation (ETF) are now in place. The implementation plan is provided to the ESFA twice per year and is monitored through our ESFA link manager.

Resources:

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

Tangible resources include:

Financial:

The Group has cash balances of £5,155,000 as at 31 July 2021.

People:

The Group employs 416 people based on average ahead count.

Reputation:

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

Events after the end of the reporting period:

There are no significant post balance sheet events.

Principal Risks and Uncertainties:

The principal risk and uncertainty is clearly related to COVID-19. The College has set a budget that reflects this and is confident of achieving the plan. The previous two years' disruption has enabled the College to deliver much of the teaching remotely and in 2021/22 practical work is being taught early where possible in case there are more lockdowns needed in-year.

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.

Operating and Financial Review (continued)

Current and Future Development and Performance (continued)

Principal Risks and Uncertainties (continued):

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 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.

- Impact of a pandemic on the operation of the College
- Implementation of continuous changes in curriculum
- Companies / organisations not paying invoices due to potential financial difficulties
- Failure to meet Bank Covenants
- Maintaining Higher Apprenticeships and control of delivery of Levels 4, 5 and 6 (Degree Apprenticeships)
- Threat of College computer systems being hacked
- Threat of College computer systems being targeted by a virus or malware
- Learner Retention, Achievement, Success and Framework completions.

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 financial statements (see page 11 for further details).

Government funding

The Group has considerable reliance on continued government funding through the education sector funding bodies. In 2020/21, 66% of the Group's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding, including 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.

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)

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 learners' 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 FRS 102.

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

Accommodation

The College has completed its ambitious accommodation strategy (£31m) and finished its South Bank 1 and 2 buildings. Despite this the College returned to "Good" financial health in 2018/19 (180 pts) and followed this with "Good" (220 pts) in 2019/20 and "Good" (220 pts) in 2020/21.

Going Concern

2020/21 was, for everyone, a difficult year with COVID-19 and this continues into 2021/22. The College set a prudent budget with limited growth and early enrolment figures suggest target will be met.

The success of improving cash balances and balance sheet strength in 2020/21 has put the College in a strong position and able to withstand any adverse conditions.

The College was taken out of "early intervention" in November 2020 and bank covenants were easily met.

The two year financial plan including cash flow forecasts to 31/7/2023, contains a provision for clawback of Adult Education Budget in the region of £406,000, shows the College in good financial health and meeting its Bank Covenants in all years.

The College believes it has considered all known possibilities and is as confident as it can be that it will continue throughout 2021/22 and beyond. On that basis it has adopted the going concern basis for the preparation of its financial statements.

Operating and Financial Review (continued)

Human Resources

The 2020/21 academic year was dominated by COVID-19 restrictions and different ways of working. This included hybrid / flexible working and providing online teaching alongside returning to onsite working and classroom delivery.

To enable staff to return and work from College premises safely, the risk was assessed and measures put in place to support staff. This included:

- Partitioning between workspaces.
- One way system for moving around the College.
- 2 metre distancing was adhered to which restricted capacity in offices, teaching and other spaces.
- Provision of onsite Lateral Flow Tests.
- Increased provision of hand sanitiser stations.
- Requirement to wear face masks and other PPE.
- Support for staff with wellbeing concerns including mental health.
- Set up and organisation of the College COVID testing centre.
- Provision of COVID Track & Trace monitoring and reporting systems.

As a result of changes to working practices during the pandemic, in particular homeworking, the College has updated its Flexible Working Policy to reflect this, giving greater scope for a hybrid approach to working.

Other HR activities during 2020/21 included:

- Proactively keeping up to date with changes during the pandemic.
- Provision of an onsite Occupational Health Clinic Day in May 2021.
- Design and co-ordination of online interviews.
- Continuing support with ILM3 and 5 Leadership and Management qualifications.

Work was undertaken to enable the Foundation Living Wage to be paid to lowest paid employees. This was agreed and took effect from the start of the new financial year. To maintain pay differentiation between grades / roles the lower pay grades were realigned. This has resulted in a 3 point pay scale across all pay grades which will enable all new employees to progress to the top of the pay scale sooner.

In terms of statistics, generally the profile of College employees remains relatively stable with some slight changes in year. The total number of employees (headcount) has decreased by 0.73% from 2019/20, whilst the FTE has increased by 0.44% from 2019/20. The increase in headcount is a result of the reduction in the number of casual and variable (zero) hours employees. However, those staff employed on contracted hours shows a slight drop in FTE which would indicate that more staff are working flexibly, for example by taking up part-time contracts.

Turnover reduced from 10.93% in 2019/20 to 8.49% in 2020/21, this is the fourth consecutive year that turnover has decreased. This can also be attributed to the pandemic, with continuing uncertainty in the job market.

When compared to 2019 the College's Gender Pay Gap for March 2020 shows a slight increase, the mean pay gap is 23.2%, this is an increase of +0.83%. The median pay gap is showing at 30.5%, a 0.13% increase. Whilst 2020 has seen this increase, both the median and mean pay gap remains lower than the gap reported in 2017 & 2018.

Operating and Financial Review *(continued)*

Stakeholder Relationships

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

- Learners;
- Funding Bodies;
- 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.

Equality, Inclusion, Diversity and Safeguarding (including the Prevent Duty) 2020/21

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 Tutorials. These programmes help shape positive student attitudes around anti-social behaviour. The vast majority of work to support students took place online or over the phone owing to the COVID-19 lockdowns.

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 when this was reported.

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.

Safeguarding Register 2020/21 (352 student cases)

Type of Safeguarding Case 01/08/2020 - 31/07/2021	No.	%
Policing issues	104	29.55
Prevent and Counter Extremism	5	1.42
Safeguarding Cases	243	69.03
Totals	352	100%

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:

Operating and Financial Review (continued)

Equality, Inclusion, Diversity and Safeguarding (including the Prevent Duty) 2020/21 (continued)

Students (continued)

- 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.

Public Sector Facility Time Publication Requirements – 2020/21

Table 1 – Relevant Union Officials

Numbers of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
3	2.70 FTE

Table 2 – Percentage of time spent on facility time

Percentage of time	Number of employees
0%	0
1-50%	3
51-99%	0
100%	0

Table 3 – Percentage of pay bill spent on facility time

Total cost of facility time	£7,320
Total pay bill	£12,901,000
Percentage of total bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.06%

Table 4 – Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours, calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	6.71%
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Approximated data presented relates to the period 1 April 2020 to 31 March 2021

Operating and Financial Review *(continued)*

Future Developments:

Learner numbers are looking very positive at the beginning of 2021/22 compared to the approved budget with Apprenticeships and Higher Education (HE) numbers all above target.

The budget set for 2021/22 is challenging with assumptions made concerning Apprenticeships the key to success. The impact of COVID-19 will largely depend on how long the pandemic continues with retention and achievement the key concern at the time of writing.

The College plans over the next few years are to grow Apprenticeships, 16-19 and HE numbers along with the introduction of T Levels and Degree Apprenticeships. There will be a final stage accommodation strategy to replace the North Street building with a new "phase 3" building within 10 years, subject to available capital. Following the successful development of its South Bank Phase 1 and 2 buildings the College will continue to set budgets that increase cash balances and increase resilience.

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 14 December 2021 and signed on its behalf by:



Peter Norris
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 2020 to 31 July 2021, and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- 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 2021. 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 formally 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 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 and Student Liaison. 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.

COVID-19

The Corporation normally meets in person nine times a year. Due to COVID-19 all nine Corporation meetings took place remotely via Microsoft Teams. All subcommittee meetings also took place via Microsoft Teams due to COVID-19. In addition, weekly meetings took place between the Principal, Chair and Vice Chair, to ensure Governors were kept regularly up to date regarding the impact of COVID-19 on the College.

No Procurement Policy Notices were applied during 2020-21 due to COVID-19, however, the Corporation did agree with the outsourced Security and Cleaning Companies to pay 20% on top of the 80% furlough monies to ensure that the outsourced staff received 100% of their usual pay.

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 five members during 2020-21 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 2021 which included: Board Performance Survey; a review of Governance KPIs and Development Plan; Annual Attendance report and Annual Skills Survey. This evaluation activity is considered and reviewed by the Search and Governance Committee and informs the subsequent governance development programme.

Performance & Remuneration Committee

Throughout the year ended 31 July 2021, the College's Performance and Remuneration Committee comprised the Chair of the Corporation and the Vice-Chair of the Corporation (who chaired this committee). 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 2021 are set out in note 6 to the financial statements.

The Committee were consulted in December 2020 on changes to the Remuneration Policy for Senior Postholders which is in line with the AoC Senior Post Holders Remuneration Code and the Board approved the revised Policy on 26th January 2021. The Performance and Remuneration Committee considered the Annual Remuneration Survey Report and the Annual Remuneration Report (in line with Code requirements) at its meeting on 21 June 2021.

Audit Committee

The Audit Committee comprised of six members of the Corporation during 2020/21 (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.

Statement of Corporate Governance and Internal Control (continued)

Audit Committee (continued)

The Audit Committee met four times in the year and included the opportunity for the College's internal and financial statement auditors to have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the ESFA, OfS and its successor organisations, as they affect the College's business.

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

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

The Audit Committee considered the following internal audit reports during 2020/21: IT Data Security & Infrastructure; Curriculum Planning; Learner Retention and Intervention; Apprenticeship sign-up processes and documentation; IT Disaster Recovery.

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.

The members of the Audit Committee and their attendance records are shown below:

	Meetings attended	
R Lindley	4	100%
P Norris	4	100%
S Wilson	2	50%
A Kenny	4	100%
M Shields	1	100%*
D Forsythe-Conroy	0	0%**

* M Shields joined the Audit Committee in June 2021.

** D Forsythe-Conroy joined the Audit Committee on 27 April 2021.

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 Agreement between the College and the funding body.

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 2021 and up to the date of approval of the annual report and financial statements.

Statement of Corporate Governance and Internal Control (continued)

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 2021 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, 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 (July 2020). 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.

Internal audits were conducted by the College's Internal Auditors, ICCA and were considered by the Audit Committee as stated above.

Statement from Audit Committee

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

The specific areas of work undertaken by the Audit Committee in 2020/21 and up to the date of the approval of the financial statements are:

Internal audit opinions and recommendations arising out of the audits in 2020/21 are shown below:

Ref.	Audit Title	Design	Application / Compliance	Overall Assurance	No. of recommendations & priority			
					H	M	L	A
1	Learner Retention and Intervention	Adequate	Adequate	Reasonable	-	3	-	-
2	Compliance with the General Data Protection Regulations (GDPR)	Adequate	Good	Reasonable	-	2	1	-
3	Apprenticeship Sign-up processes and documentation	Adequate	Good	Reasonable	-	3	3	-
4a)	IT Data Security & Infrastructure	Adequate	Good	Reasonable	-	4	-	-

Statement of Corporate Governance and Internal Control (continued)

Statement from Audit Committee (continued)

Ref.	Audit Title	Design	Application / Compliance	Overall Assurance	No. of recommendations & priority			
					H	M	L	A
4b)	IT Disaster Recovery	Adequate	Adequate	Reasonable	-	4	-	-
5	Departmental Procurement and Achieving 'Best Value'	Good	Adequate	Good	-	1	-	1
6	Curriculum Planning	Adequate	Good	Reasonable	1	2	-	-
7	Follow-up of Previous Internal Audit Recommendations	N/A	N/A	Reasonable	-	2	-	-

The internal auditors were also able to:

"Provide management and the Audit Committee with Reasonable Assurance that progress with implementing previously agreed internal audit recommendations has been timely and effective. In total, 11 recommendations were followed-up during their review. They also confirmed that:

- *4 (36%) of the previously agreed recommendations were found to have been fully implemented by management;*
- *2 (18%) of the previously agreed recommendations were found to have been partially implemented by management; and,*
- *5 (46%) of the previously agreed recommendations were found to have been superseded by further internal audit work undertaken and reports issued in 2020/21."*

No fundamental matters were raised. Recommendations are monitored via outstanding audit points at the Audit Committee meetings.

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.

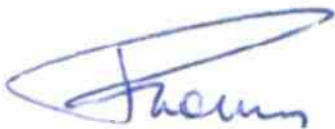
The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and 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 14 December 2021 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the Senior Management Team and internal audit and taking account of events since 31 July 2021.

Statement of Corporate Governance and Internal Control *(continued)*

Review of effectiveness *(continued)*

Based on the advice of the Audit Committee and the Accounting Officer, 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".

Approved by order of the members of the Corporation on 14 December 2021 and signed on its behalf by:

A handwritten signature in blue ink, appearing to read 'P. Norris', enclosed within a large, stylized oval loop.

Peter Norris
Chair

A handwritten signature in blue ink, appearing to read 'D. A. Whitehead', written in a cursive style.

Derek Whitehead
Accounting Officer

Statement on the College's regularity, propriety and compliance

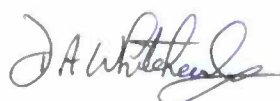
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding under the College's Grant funding agreements and contracts with the ESFA. As part of our consideration, we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding, under the College's grant funding agreements and contracts with the ESFA, or any other public funder.

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



Peter Norris
Chair



Derek Whitehead
Accounting Officer

Statement of the responsibilities of the members of the Corporation

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

Within the terms and conditions of the Corporation's grant funding agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the Corporation and its surplus / deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess whether the Corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

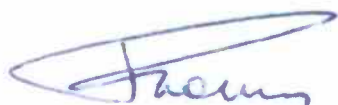
The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the Corporation.

The Corporation is responsible for keeping 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 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 its assets and to prevent and detect fraud and other irregularities.

The Corporation is responsible for the maintenance and integrity of the College website; 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 and any other public funds are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any other public funder. 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 Corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 14 December 2021 and signed on its behalf by:



Peter Norris
Chair

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

Opinion

We have audited the financial statements of Leeds College of Building (the "College") and its subsidiary (the "Group") for the year ended 31 July 2021 which comprise the consolidated and College statements of comprehensive income, the consolidated and College statements of changes in reserves, the consolidated balance sheet, the College balance sheet, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 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 College's affairs as at 31 July 2021 and of the Group's and the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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 and College 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

In auditing the financial statements, we have concluded that the governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the governors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information contained within the Report and Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 Members of the Corporation of Leeds College of Building (continued)

Opinion on other matters prescribed by the Office for Students' Accounts Direction

In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

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 2020 to 2021 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if:

- the College's grant and fee income, as disclosed in the note 3a. to the financial statements, has been materially misstated.

Responsibilities of the Corporation of Leeds College of Building

As explained fully in the Statement of the Corporation's Responsibilities set out on page 23, the 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 is responsible for assessing the Group's and the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the Group or the 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

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

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the Group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Group and College operates in and how the Group and College are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Further and Higher Education SORP, the College Accounts Direction published by the Education and Skills Funding Agency and Regulatory Advice 9: Accounts Direction published by the Office for Students'. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those which are in relation to the Education Inspection Framework under the Education and Inspections Act 2006, Keeping Children Safe in Education under the Education Act 2002 and the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018. We performed audit procedures to inquire of management whether the Group is in compliance with these laws and regulations and inspected correspondence with licensing or regulatory authorities in order to draw a conclusion.

The Group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://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 Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 29 October 2021. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
Two Humber Quays
Wellington Street West
Hull
HU1 2BN

17 December 2021

Consolidated and College Statements of Comprehensive Income and Expenditure

		Year Ended 31 July 2021		Year Ended 31 July 2020	
	Notes	Group £'000	College £'000	Group £'000	College £'000
Income					
Funding Body grants	2	13,013	13,013	12,758	12,436
Tuition fees and education contracts	3	5,825	5,825	6,129	6,114
Other income	4	791	791	833	840
Total Income		19,629	19,629	19,720	19,390
Expenditure					
Staff costs	5	13,795	13,795	12,712	12,634
Other operating expenses	7	5,310	5,301	5,364	5,108
Depreciation	11	1,163	1,163	1,146	1,146
Interest and other finance costs	8	335	335	323	323
Total Expenditure		20,603	20,594	19,545	19,211
(Deficit) / surplus before other gains and losses		(974)	(965)	175	179
Loss on disposal of assets		-	-	(1)	(1)
(Deficit) / surplus before tax		(974)	(965)	174	178
Taxation		-	-	-	-
(Deficit) / surplus for the year		(974)	(965)	174	178
Remeasurement of net defined benefit pension liability	17	3,172	3,172	(6,503)	(6,503)
Other comprehensive income for the year		3,172	3,172	(6,503)	(6,503)
Total Comprehensive income / (expenditure) for the year		2,198	2,207	(6,329)	(6,325)

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 Statements of Changes in Reserves

	Revaluation reserve £'000	Income & Expenditure account £'000	Total £'000
Group			
Balance at 31 July 2019	2,523	1,100	3,623
Surplus from the income and expenditure account	-	174	174
Other comprehensive income	-	(6,503)	(6,503)
Transfers between revaluation and income and expenditure reserves	(151)	151	-
Balance at 31 July 2020	2,372	(5,078)	(2,706)
Deficit from the income and expenditure account	-	(974)	(974)
Other comprehensive income	-	3,172	3,172
Transfers between revaluation and income and expenditure reserves	(151)	151	-
Balance at 31 July 2021	2,221	(2,729)	(508)
College	£'000	£'000	£'000
Balance at 31 July 2019	2,523	1,190	3,713
Surplus from the income and expenditure account	-	178	178
Other comprehensive income	-	(6,503)	(6,503)
Transfers between revaluation and income and expenditure reserves	(151)	151	-
Balance at 31 July 2020	2,372	(4,984)	(2,612)
Deficit from the income and expenditure account	-	(965)	(965)
Other comprehensive income	-	3,172	3,172
Transfers between revaluation and income and expenditure reserves	(151)	151	-
Balance at 31 July 2021	2,221	(2,626)	(405)

Consolidated Balance sheet at 31 July 2021

	<i>Note</i>	2021 £'000	2020 £'000
Non-current assets			
Tangible fixed assets	11	32,671	33,226
		32,671	33,226
Current assets:			
Stock		7	11
Trade and other receivables	13	1,549	2,079
Cash at bank and in hand		5,155	2,060
		6,711	4,150
Current liabilities: amounts falling due within one year	14	(5,950)	(4,213)
Net current assets / (liabilities)		761	(63)
Total assets less current liabilities		33,432	33,163
Creditors: amounts falling due after one year	14	(18,976)	(19,407)
Defined benefit pension scheme	17	(14,560)	(16,042)
Provisions: other provisions	16	(404)	(420)
Total net liabilities		(508)	(2,706)
Unrestricted reserves:			
Revaluation Reserve		2,221	2,372
Income and expenditure account		(2,729)	(5,078)
Total unrestricted reserves		(508)	(2,706)

The accompanying notes and policies form part of these financial statements. The financial statements on pages 27 to 52 were approved and authorised by the Corporation on 14 December 2021 and were signed on its behalf by:



Peter Norris
Chair

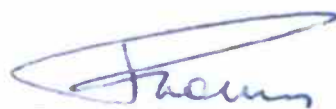


Derek Whitehead
Accounting Officer


College Balance sheet at 31 July 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Tangible fixed assets	11	32,671	33,226
Investment	12	-	-
		32,671	33,226
Current assets			
Stock		7	11
Trade and other receivables	13	1,623	1,942
Cash at bank and in hand		5,155	2,037
		6,785	3,990
Current liabilities: amounts falling due within one year	14	(5,921)	(3,959)
Net current assets		864	31
Total assets less current liabilities		33,535	33,257
Creditors: amounts falling due after one year	14	(18,976)	(19,407)
Defined benefit pension scheme	17	(14,560)	(16,042)
Provisions: other provisions	16	(404)	(420)
Total net liabilities		(405)	(2,612)
Unrestricted reserves:			
Revaluation Reserve		2,221	2,372
Income and expenditure account		(2,626)	(4,984)
Total unrestricted reserves		(405)	(2,612)

The accompanying notes and policies form part of these financial statements. The financial statements on pages 27 to 52 were approved and authorised by the Corporation on 14 December 2021 and were signed on its behalf by:



Peter Norris
Chair



Derek Whitehead
Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2021 £'000	2020 £'000
Cash flow from operating activities			
(Deficit) / Surplus		(974)	174
Adjustment for non-cash items			
Depreciation		1,163	1,146
Decrease / (Increase) in stocks		4	(2)
Decrease / (Increase) in debtors		530	(76)
Increase / (Decrease) in creditors due within one year		677	(674)
(Decrease) / Increase in provisions		(16)	31
Pensions costs less contributions payable		1,470	1,013
Interest payable		335	331
Loss on sale of fixed assets		-	1
Net cash flow from operating activities		3,189	1,944
Cash flows from investing activities			
Capital Grants Received		979	201
Payments made to acquire fixed assets		(608)	(250)
		371	(49)
Cash flows from financing activities			
Interest paid		(115)	(146)
Repayment of loan		(350)	(1,000)
		(465)	(1,146)
Increase in cash and cash equivalents in the year		3,095	749
Cash and cash equivalents at beginning of the year		2,060	1,311
Cash and cash equivalents at end of the year		5,155	2,060

Notes

(forming part of the financial statements)

1. Accounting policies

General information

Leeds College of Building is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 16. The nature of the College's operations are set out in the operating and financial review report.

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 accounting

The financial statements are prepared in accordance with the historical cost convention.

The consolidated financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £'000, except where otherwise indicated.

In accordance with the F & HE SORP 2019 and FRS 102, the College in its separate financial statements, which are presented alongside the consolidated financial statements, has taken advantage of the disclosure exemptions available to it in respect of presentation of a cash flow statement and financial instruments.

Basis of consolidation

The consolidated financial statements of the group include the financial statements of the College and its subsidiary undertaking, LCB Enterprises Limited. The results of subsidiary 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. All financial statements are prepared to 31 July 2021.

The College, along with the other six colleges in West Yorkshire, is a member of the West Yorkshire Consortium of Colleges (WYCC), a joint venture company set up to bid for and deliver European funded activity. The College's share of the results and equity of the company are not considered material to the financial statements and have not been consolidated on that basis.

Going Concern

2020/21 was, for everyone, a difficult year with COVID-19 and this continues into 2021/22. The College set a prudent budget with limited growth and early enrolment figures suggest target will be met.

The success of improving cash balances and balance sheet strength in 2020/21 has put the College in a strong position and able to withstand any adverse conditions.

The College was taken out of "early intervention" in November 2020 and bank covenants were easily met.

The College has set a 2-year budget with cash flows forecasts to 31 July 2023. Bank covenants have been assessed and passed to the same date and the College concludes it can meet its obligation until at least 31 December 2022 and beyond. On that basis it has adopted the going concern basis for the preparation of its financial statements.

Notes (continued)

1. Statement of accounting policies (continued)

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.

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.

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 learners 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. For 2020/21 in light of COVID-19, the ESFA have announced that there will be a tolerance of 90% for clawback of Adult Education Budget (AEB). In 2019/20 this was set at 68%.

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.

Notes (continued)

1. Statement of accounting policies (continued)

Recognition of income (continued)

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.

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 learners 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

Post-employment benefits to employees of the Group are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit plans.

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 Group 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.

Notes (continued)

1. Statement of accounting policies (continued)

West Yorkshire Local Government Pension Scheme (LGPS) (continued)

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 Group. Any unused benefits are accrued and measured as the additional amount the Group expects to pay as a result of the unused entitlement.

Enhanced Pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by a Group 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 Group's Statement of Comprehensive Income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

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 FRS 102, 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)

1. 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.

Financial assets and liabilities

The Group 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.

Notes (continued)

1. Statement of accounting policies (continued)

Financial assets and liabilities (continued)

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.

Investments

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

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

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.

Notes (continued)

1. Statement of accounting policies (continued)

Agency arrangements

The Group acts as an agent in the collection and payment of certain discretionary support and 16-19 Bursary Funds received from the main funding bodies.

Judgements in applying accounting policies and key sources of estimation uncertainty

Critical accounting estimates and assumptions

- **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.

- **Impairment of fixed assets**

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.

- **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 and inflation assumptions. Any changes in these assumptions, which are disclosed in note 17, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. 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.

Notes (continued)

2. Funding Body grants

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Recurrent grants				
Education and Skills Funding Agency – Adult	1,282	1,282	1,783	1,569
Education and Skills Funding Agency – 16-18	5,834	5,834	5,033	5,033
Education and Skills Funding Agency - Apprenticeships	4,521	4,521	4,846	4,738
Release of government capital grants				
Buildings	483	483	385	385
Equipment	76	76	114	114
Other funds	817	817	597	597
	<u>13,013</u>	<u>13,013</u>	<u>12,758</u>	<u>12,436</u>

3. Tuition fees and education contracts

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
UK Further Education Students	<u>4,370</u>	<u>4,370</u>	<u>4,649</u>	<u>4,634</u>
Total tuition fees	<u>4,370</u>	<u>4,370</u>	<u>4,649</u>	<u>4,634</u>
Education contracts				
Higher Education	690	690	549	549
Other	<u>765</u>	<u>765</u>	<u>931</u>	<u>931</u>
	<u>1,455</u>	<u>1,455</u>	<u>1,480</u>	<u>1,480</u>
	<u>5,825</u>	<u>5,825</u>	<u>6,129</u>	<u>6,114</u>

Notes (continued)

3a. Total Grant and Fee Income

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
Grant Income from OfS	447	447	376	376
Grant Income from other bodies	13,205	13,205	12,758	12,436
	13,652	13,652	13,134	12,812
Higher Education Fees	243	243	173	173
Other fees and contracts	5,135	5,135	5,580	5,580
	19,030	19,030	18,887	18,565

4. Other income

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Residences, catering and conferences	143	143	278	278
Examinations Fees	10	10	21	21
Other Income	506	506	498	498
Gift Aid ATL	-	-	-	7
Coronavirus Job Retention Scheme grant	132	132	36	36
	791	791	833	840

The Corporation furloughed some Teaching, Teaching and Other Support, Administration, Premises and Catering staff under the Government's Coronavirus Job Retention Scheme. The funding received of £132,000 relates to 78 staff whose costs are included within the staff costs note below as appropriate. The staff costs were paid at 100% of salary.

Notes (continued)

5. Staff numbers and costs

The average number of persons employed by the group (including senior post holders) during the year, expressed as average head count and calculated on a monthly basis, was as follows:

	Year Ended 31 July 2021	Year Ended 31 July 2020
	Group/College No.	Group/College No.
Teaching departments	202	197
Teaching support	139	145
Non-Teaching	75	75
	<u>416</u>	<u>417</u>

Previously staff numbers have been disclosed as full-time equivalents. In accordance with the Accounts Direction, staff numbers are disclosed on an average headcount basis. Comparatives have been restated to reflect this change.

Staff costs for the above persons were as follows:

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Wages and salaries	9,687	9,687	9,229	9,160
Social security costs	909	909	868	861
Other pension costs	3,199	3,199	2,615	2,613
	<u>13,795</u>	<u>13,795</u>	<u>12,712</u>	<u>12,634</u>

Leeds College of Building gave a 1% pay award in January 2021, backdated to 1 August 2020. In addition, a 1% pay award was awarded in July 2021, backdated to 1 August 2020.

Notes (continued)

6. 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 2020/21 Number of Senior Postholders	Group 2019/20 Number of Senior Postholders
£ 85,001 to £ 90,000	1	1
£ 95,001 to £100,000	1	1
£120,001 to £125,000	1	1

Key management personnel

Key management personnel are the Senior Postholders who have authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Team which comprises the Principal, 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.

	2021 Numbers	2020 Numbers
The number of key management personnel, including the Accounting Officer was:	4	4

Key management personnel, including the Accounting Officer's compensation is made up as follows:

	2021 £'000	2020 £'000
Salaries	325	313
National Insurance	40	40
Bonus	-	9
	<hr/> 365	<hr/> 362
Pension contributions	68	62
Total	<hr/> 433 <hr/>	<hr/> 424 <hr/>

There were no salary sacrifice arrangements in place in the year.

Notes (continued)

6. Compensation of key personnel (continued)

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

	2021 £'000	2020 £'000
Salary	122	118
Bonus	-	4
	<u>122</u>	<u>122</u>
Pension contributions	29	28
Total	<u>151</u>	<u>150</u>

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 Accounting Officer's emoluments expressed as a multiple of all other employees:

	2021	2020
Basic salary as a multiple of the median of all staff	4.10	4.04
Total remuneration as a multiple of the median of all staff	4.34	4.47

The key management personnel salaries are 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 Senior Post Holders.

The Performance & Remuneration Committee, having regard for the AoC Senior Staff benchmarks consider the Senior Post Holders remuneration to be in line with the rest of the Further Education sector.

The total expenses paid to or on behalf of the Governors during the year was £Nil (in 2019/20: £246.54 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 (2019/20: Nil).

Notes (continued)

7. Other operating expenses

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Teaching departments	2,265	2,265	2,330	2,062
Teaching support	669	669	548	547
Non Teaching	2,376	2,367	2,486	2,499
	<u>5,310</u>	<u>5,301</u>	<u>5,364</u>	<u>5,108</u>

(Deficit) / surplus before taxation is stated after charging:

Auditors' remuneration:				
Financial statement audit	39	38	30	19
Internal audit	9	9	3	3
Operating leases rentals	164	164	85	85

8. Interest and other finance costs

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Bank Interest on bank loans	115	115	146	146
Net interest on defined pension liability (note 17)	220	220	177	177
	<u>335</u>	<u>335</u>	<u>323</u>	<u>323</u>

9. Access and Participation expenditure

Leeds College of Building is not required to produce an Access and Participation Plan. Condition A2 of the Office for Students' (OfS) Regulatory Framework (OfS 2018.01) requires Approved providers or Approved (fee cap) providers charging fees up to the basic amount for qualifying courses to publish an access and participation statement and to update and republish this statement on an annual basis. This statement is available on our website at <https://www.lcb.ac.uk/media/1886/access-and-participation-statement.pdf>

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 and College

	Land and Buildings Freehold £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2020	38,999	4,475	43,474
Additions	572	36	608
At 31 July 2021	<u>39,571</u>	<u>4,511</u>	<u>44,082</u>
Depreciation			
At 1 August 2020	7,490	2,758	10,248
Charge for year	908	255	1,163
As at 31 July 2021	<u>8,398</u>	<u>3,013</u>	<u>11,411</u>
Net book value as at 31 July 2021	<u>31,173</u>	<u>1,498</u>	<u>32,671</u>
At 31 July 2020	<u>31,509</u>	<u>1,717</u>	<u>33,226</u>

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

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

If fixed assets had not been revalued before being deemed as cost on transition they would have been included at the following historical cost amounts:

	£'000
Cost	NIL
Aggregate depreciation based on cost	NIL
Net book value based on cost	NIL
	<u>NIL</u>

Notes (continued)

12. Investments

	2021	2020
	£	£
Investment in LCB Enterprises Limited 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.

13. Trade and other receivables

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	174	174	120	120
Other receivables	85	83	322	84
Amounts owed by group undertakings	-	76	-	101
Prepayments and accrued income	5	5	2	2
Amounts owed by the ESFA	1,285	1,285	1,635	1,635
	1,549	1,623	2,079	1,942

14. Creditors: amounts falling due within one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank Loan	350	350	350	350
Trade payables	386	357	538	302
Other taxation and social security	489	489	199	199
Other creditors	232	232	431	422
Accruals and deferred income	3,107	3,107	2,216	2,207
Government capital grants	980	980	479	479
Owed to ESFA	406	406	-	-
	5,950	5,921	4,213	3,959

Creditors: amounts falling due after one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank Loan	4,900	4,900	5,250	5,250
Government capital grants	14,076	14,076	14,157	14,157
	18,976	18,976	19,407	19,407

Notes (continued)

15. Bank Loans

Repayment analysis:	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank Loan:				
In one year or less	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
In five years or more	3,500	3,500	3,850	3,850
	<u>5,250</u>	<u>5,250</u>	<u>5,600</u>	<u>5,600</u>

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

16. Provisions for liabilities

Group and College	Group Enhanced Pensions £'000
At 1 August 2020	420
Utilised in the year	(31)
Additional provision in the year	15
At 31 July 2021	<u>404</u>

The enhanced pension provision relates to the cost of staff that have already left the College employ and commitments for re-organisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation rate are:

	Group 2021	Group 2020
Discount Rate	1.60%	1.30%
Inflation Rate	2.60%	2.20%

Notes (continued)

17. Defined benefit obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) for teaching staff and the Local Government Pension Scheme (LGPS) for non-teaching staff. Both are multi-employer defined benefit plans.

Total pension cost for the year

	2021	2020
	£'000	£'000
Teachers' pension scheme: contributions paid	1,042	948
Local Government Pension Scheme:		
Contributions paid	672	596
FRS 102 (28) charge	<u>1,470</u>	<u>1,013</u>
Charge to Statement of Comprehensive Income	3,184	2,557
Enhanced pension charge to Statement of Comprehensive Income	15	58
Total pension cost for year within staff costs	<u>3,199</u>	<u>2,615</u>

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 Acts. 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 2019. 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.

(Valuations and Employer Cost Cap) Directions 2014 except it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending.

Notes (continued)

17. Defined benefit obligations (continued)

Teachers' Pension Scheme (continued)

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. The DfE paid a teacher pension employer contribution grant to cover the additional costs during the 2020/21 academic year, and currently through to March 2022. The next valuation result is due to be implemented from 1st April 2023.

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 £1,042,000 (2019/20: £948,000).

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 FRS 102 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 2021 was £672,000 (2019/20: £596,000). The agreed Employer contribution rate is 16.8% until 31.3.22 and 17.9% from 1.4.22. Employees contributions range from 5.5% to 12.5% depending on salary.

Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund as at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary.

	2021	2020
Inflation assumption (CPI)	2.60%	2.20%
Rate of increase in salaries	3.85%	3.45%
Rate of increase in pensions	2.60%	2.20%
Discount rate for liabilities	1.70%	1.40%
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:

	2021 £'000	2020 £'000
Retiring today / current pensioners		
Males	21.9	21.8
Females	24.7	24.6
Retiring in 20 years / future pensioners		
Males	22.6	22.5
Females	25.8	25.7

Notes (continued)

17. Retirement benefits (continued)

The College's share of the assets in the plan at the balance sheet were:

	Fair value of assets at 31 July 2021 £'000	Fair value of assets at 31 July 2020 £'000
Equities	19,135	15,287
Government Bonds	1,911	1,968
Other Bonds	1,051	984
Property	884	846
Cash/Liquidity	549	315
Other	358	275
Total fair value of plan assets	23,888	19,675
Actual return on plan assets	3,825	(1,032)
	2021 £'000	2020 £'000
Present value of scheme liabilities		
Funded	(38,432)	(35,700)
Unfunded	(16)	(17)
Fair Value of Assets	23,888	19,675
Deficit in the scheme	(14,560)	(16,042)

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

	2021 £'000	2020 £'000
Employer service cost	2,142	1,609
Net interest on the net defined benefit pension liability	(220)	(177)
Total	1,922	1,432
Charges in the present value of defined benefit obligations		
	2021 £'000	2020 £'000
Defined benefit obligations at start of period	35,717	28,581
Current service cost	2,142	1,609
Interest cost	498	627
Employee contributions	267	248
Actuarial loss	375	5,021
Benefits paid	(551)	(369)
Defined benefit obligations at end of Period	38,448	35,717

Notes *(continued)*

17. Retirement benefits *(continued)*

Changes in fair value of plan assets

	2021 £'000	2020 £'000
Fair value of plan assets start of period	19,675	20,232
Interest income	278	450
Return on plan assets (excluding net interest on the net defined benefit liability)	3,547	(1,482)
Employer contributions	672	596
Employee contributions	267	248
Benefits paid	<u>(551)</u>	<u>(369)</u>
Fair value of plan assets at end of period	<u>23,888</u>	<u>19,675</u>

Movement in deficit during year

	2021 £'000	2020 £'000
Deficit in scheme at beginning of year	(16,042)	(8,349)
Current service charge	(2,142)	(1,609)
Contributions	672	596
Net interest/return on assets	(220)	(177)
Actuarial gain or loss	<u>3,172</u>	<u>(6,503)</u>
Deficit in scheme at end of year	<u>(14,560)</u>	<u>(16,042)</u>

Notes (continued)

18. Analysis of changes in net debt (College only)

	At 1 August 2020 £'000	Cash Flow £'000	At 31 July 2021 £'000
Cash at bank and in hand	2,037	3,118	5,155
Bank loan	<u>(5,600)</u>	<u>350</u>	<u>(5,250)</u>
Net Debt	<u>(3,563)</u>	<u>3,468</u>	<u>(95)</u>

19. Capital commitments

	2021 £'000	2020 £'000
Contracted for at 31 July	<u>181</u>	<u>2</u>

20. Commitments under operating leases "Group and College"

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2021 Land & Buildings £'000	2021 Equipment £'000	2020 Land & Buildings £'000	2020 Equipment £'000
Payments due:				
Not later than one year	-	17	65	10
Later than one year and not later than five years	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>24</u>	<u>65</u>	<u>10</u>

21. Related Party Transactions

Key management compensation disclosure is given in note 6.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF LEEDS COLLEGE OF BUILDING AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH EDUCATION AND SKILLS FUNDING AGENCY

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 29 October 2021 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by Leeds College of Building during the period 1 August 2020 to 31 July 2021 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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 2020 to 31 July 2021 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

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

We are independent of the Leeds College of Building in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

Responsibilities of Corporation of Leeds College of Building for regularity

The Corporation of Leeds College of Building is responsible, under the grant funding agreements and contracts with the ESFA and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The Corporation of Leeds College of Building is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF LEEDS COLLEGE OF BUILDING AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH EDUCATION AND SKILLS FUNDING AGENCY *(continued)*

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

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

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17 December 2021