



LEEDS CITY COLLEGE
Report & Financial Statements
For the year ended 31 July 2016

LEEDS CITY COLLEGE
FINANCIAL STATEMENTS
for the year ended 31 July 2016
KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL
ADVISERS

KEY MANAGEMENT PERSONNEL

Key management personnel are defined as members of the college's executive leadership team and were represented by the following in 2015/16:

| | |
|----------------------|--|
| Mr Peter Roberts CBE | CEO and Principal* (retired 30 September 2015) |
| Mr Colin Booth OBE | CEO and Principal* (from 1 October 2015) |
| Mr David Harwood | Deputy Chief Executive* (left 31 August 2015) |
| Dr Jane Pither | Deputy Principal, Corporate Services* |
| Mr William Jones | Deputy Principal, Teaching & Learning |
| Mr Brian Archer | Executive Director, Commercial |
| Ms Lydia Devenny | Chief Financial Officer |
| Mr Huw Roberts | Director of Organisational Development & Human Resources |

*senior post-holder

BOARD OF GOVERNORS

A full list of Governors is given on page 11 of these financial statements.

Ms Melanie Halstead acted as Clerk to the Corporation throughout the period.

PROFESSIONAL ADVISERS

FINANCIAL STATEMENTS AND REPORTING ACCOUNTANTS:

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

INTERNAL AUDITORS:

Grant Thornton LLP
No1 Whitehall Riverside
Whitehall Road
Leeds
LS1 4BN

BANKERS:

Barclays Bank PLC
69 Albion Street
Leeds
LS1 5AA

Lloyds Bank
6-7 Park Row
Leeds
LS1 5HD

Santander
1-2 Triton Square
Regents Place
London
NW1 3AN

SOLICITORS:

Rollits Solicitors
Wilberforce Court
High Street
Hull
HU1 1YJ

Bond Dickinson
St Ann's Wharf
112 Quayside
Newcastle
NE1 3DX

Lupton Fawcett Dennison Till
Yorkshire House
East Parade
Leeds
LS1 5BD

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 for the year ended 31 July 2016
 REPORT OF THE GOVERNING BODY

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2016.

Legal status

The Corporation was established under the Leeds City College (Incorporation) Order 2008 for the purpose of conducting Leeds City College. The college is an exempt charity for the purposes of part 3 of the Charities Act 2011.

Introduction

Leeds City College is one of the UK's largest FE and HE establishments, offering a diverse curriculum to its students. The college strives to provide a vibrant, multicultural learning environment, delivering excellent and innovative education.

Mission & Values

In July 2015, the Board confirmed the college's mission:

"To be an exceptional and responsive college providing life changing education, skills and experiences for individuals, businesses and communities."

The college's values are:

- | | |
|-------------------|---|
| EXCELLENCE | - Relentless pursuit of excellence in everything we do. |
| RESPECT | - Behaving with integrity, fairness and honesty at all times. |
| AMBITION | - Forward looking, supporting innovation and creativity, and seeking opportunities to |

WELCOMING

enhance all aspects of the college business.

- Providing an environment that is safe, healthy and inclusive.

TEAMWORK

- Working as one college, whilst recognising the different, important contributions we all make.

ACCOUNTABILITY

- Taking personal responsibility for finding solutions.

Public Benefit

Leeds City College is an exempt charity under the Part 3 of the Charities Act 2011, and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the board of Governors, who are trustees of the charity, are disclosed on page 11.

In setting and reviewing the college's strategic objectives, the Board of Governors 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 records for students
- Strong student support systems

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- Links with employers, industry and commerce.

Implementation of strategic plan

Our strategic aims were reviewed by the Board and confirmed at its July 2015 meeting. They are as follows:

- Inspiring students to succeed;
- Nurturing effective partnerships;
- Applying innovative solutions for the benefit of the group;
- Achieving financial stability;
- Developing staff;
- Improving the quality of group products and services

Financial objectives

The college's financial objectives are:

- To research and attract new areas of income that make a profit;
- Operate effective resource management systems;
- Invest in operational areas that achieve or exceed their contribution targets;
- Maintain solvency at agreed levels whilst generating a surplus.

Performance indicators

| Headline target | Progress |
|--|--|
| FE learner number growth and achievement of funding body targets | The total number of learners engaging with the college is 29,118 (2014/15: 39,654). Overall Student achievement is 82.6% (2014/15:78.4%) |
| HE learner numbers and success rates | 15/16 – 998 with achievement of 83% (group), LCC = 554 achievement of 79%, LCM, 444 with achievement of 88% |

importance of sector measures and indicators and use the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The college is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of satisfactory is considered an acceptable outcome.

FINANCIAL POSITION

Financial results

The college generated a deficit of £1,961k during the 12 months ending 31 July 2016 (2014/15 surplus of £3,308k).

The college has accumulated reserves of £36,425k and cash balances of £5,467k.

The college places significant reliance on government funding for its principal funding sources, largely from recurrent grants. In 2015/16 the Skills Funding Agency, the Education Funding Agency and The Higher Education Funding Council for England provided 66% of the college's total income (2014/15 73%). The reduction in the reliance on government funding over the last three years is as a result of the increase in the value of student loans for Higher Education courses and the introduction of Advanced Learning Loans for student over the age of 24 undertaking a qualification at Level 3 or above.

Tangible fixed asset additions during the year amounted to £3,838k. This was split between land and buildings acquired of £967k equipment purchased of £884k, and assets in the course of construction of £1,987k. In the main, this related to the refurbishment of the large print hall at the college's Printworks site, which is due to be completed in Summer 2017. The college completed the disposal of the former Joseph Priestley Campus and its Westland Road Centre in south Leeds.

The college is committed to observing the

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The College has three subsidiary companies, Leeds College of Music Limited, White Rose Resourcing Limited and Leeds Apprenticeship Training Agency Ltd.

Leeds College of Music is the only UK conservatoire to offer pathways in Classical, Jazz, Popular Music and Music Production at both FE and HE levels. White Rose Resourcing Limited commenced trading on 1 September 2015 and acts as an employment agency, sourcing high quality temporary workers for the college. The Leeds Apprenticeship Training Agency Ltd became a wholly owned subsidiary on 26 July 2016, helping employers source, arrange and host their apprenticeships in the Leeds City Region.

Treasury policies and objectives

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

The college has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Chief Executive. All other borrowing requires the authorisation of the Board of Governors and complies with the requirements of the Financial Memorandum.

Cash flows and liquidity

The operating cash from the college's activities resulted in a net outflow of £4,476k (2014/2015: outflow of £1,441k).

During the year, the college maintained adequate levels of liquidity, as it continues to invest in refurbishing and developing its estate for the benefit of students. The college continued the repayment of the loan capital taken out in 2009 and 2012 to finance its property strategy.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the college delivered activity that has produced £46 million in funding body allocation (2014/15: £53 million). The college had approximately 21,020 EFA/SFA funded students and 7,558 students funded from other sources.

1,674 students enrolled on Higher Education courses, 630 school pupils aged 14-16 attended Leeds City College for part of the week through our schools links programmes and 3,680 students were enrolled through the Employer Responsive programme.

Student satisfaction

The college takes the views of its students very seriously and is proud of the excellent collaboration with the Student Union. In the end of year survey for 2015/16, 81% of students said that they would recommend the college to others and 89% of students saying they feel safe at college.

Curriculum developments

As part of the annual planning process, curriculum has been reviewed to ensure on-going relevance to students and employers. Curriculum development via A-Level and GCSE reform, a focus on Maths and English skills, the 14-16 market, and the need to integrate enterprise and generic employability skills are areas having a major impact on the college.

The college is working with a range of employers to ensure courses meet the skills valued and needed by the different sectors as well as liaising with them on business challenges for students, mentoring roles and work experience opportunities and visits.

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Payment performance

The Late Payment of Commercial debts (Interest) act 1998, which came into effect on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2015 to 31 July 2016, the college paid 95.4% of its invoices within 30 days. The college incurred no interest charges in respect of late payment for this period. The college is a signatory to the Prompt Payment Code and complies with the principals of prompt payment and wider payment procedures.

Events after the end of the reporting period

In the period since 31 July 2016 the following major events have taken place:

The college has received approval for grant funding of £33.4m from the Local Enterprise Partnership (LEP) to facilitate the development of a new campus at Quarry Hill in Leeds. The campus is planned to be open and receiving student in Autumn 2018.

Going concern

The group's activities, together with the factors likely to affect its future development, performance and position are set out in this review. The college has sufficient financial resources to meet its day-to-day working capital requirements, and is expected to continue to generate positive cash flows for the foreseeable future. This is supported by the college's two-year financial plan prepared for and approved by Governors in July 2016 for submission to the Skills Funding Agency.

After making appropriate enquiries, the Board considers that the group has adequate resources to continue in operational existence for the foreseeable future. For this

reason, it continues to adopt the going concern basis in preparing the financial statements.

RESOURCES

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

Tangible resources include the five main college campuses: Horsforth, Keighley, Park Lane, Printworks and Technology. Leeds College of Music is based at Quarry Hill.

Financial

The Leeds City College group has £36.9 million of net assets (including £35.6million pension liability) and long term debt of £26.8million.

People

The college employs 1,194 people (expressed as full time equivalents), of whom 533 are teaching staff.

Reputation

The college has a good reputation locally and nationally.

Leeds City College is at the forefront of local and regional agendas and has significant national influence. The college has a crucial strategic role in the City Region and more widely and is working closely with Leeds City Council, Bradford Council (with respect to the Keighley Campus), the City Region Local Enterprise Partnership (LEP) and other partners to find innovative solutions to create a skilled and prosperous workforce and improve life opportunities for students.

PRINCIPAL RISKS AND UNCERTAINTIES

Based on its strategic aims, the college identified a number of key strategic risks, which impacted on the whole college. These are managed by the executive leadership team (ELT) and overseen by the Chief Executive and Board. The whole process is overseen by the Audit Committee who use these reports on a regular basis and link them to the work of both internal and external

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auditors to enable them to comment upon the adequacy or otherwise of the process.

The internal auditors use the risks to inform their prospective work plan so that the entire plan is focused upon the key risks facing the college.

Outlined below is a description of the principal risks identified during 2015/16. Not all the factors were within the control of Leeds City College.

1. Funding for property

The college continues to implement its property strategy. The major risk is the availability of grants or loans to develop the estate. In the year, the college secured a grant from the Local Enterprise Partnership to complete the Printworks campus.

The college still faces these key issues:

- Some of the college's buildings are in need of repair and significant levels of renovation to bring them up to the standards required;
- On-going maintenance work required in the current Leeds estate, which will need to be funded in the short term.

This risk is mitigated in a number of ways:

- The college has continued to invest in facilities prioritising health and safety, safeguarding of students and staff, legislative compliance and projects with a high impact for learners;
- The development and implementation of a phased property strategy to improve facilities across the whole estate.

2. Not achieving financial targets

2015/16 saw substantial funding reductions in comparison to 2014/15 and the college was faced with a significant programme of cost reductions to ensure the college continued to be financially satisfactory, under the SFA's funding measures.

In response to the ongoing funding challenges, the college restructured its activities into more focused business units and performance was monitored closely in year with corrective action taken where necessary.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with Universities we have many stakeholders.

These include:

- Students and parents;
- Education sector funding bodies;
- Staff;
- Local and regional employers (with specific links);
- Local authorities;
- Government departments;
- The local community;
- Other FE institutions;
- HE validation partners;
- Trade unions;
- Third-sector organisations;
- Local and national media outlets;
- Professional bodies.
- Students' Union

We recognise the importance of these relationships and engage in regular communication with these stakeholders through targeted media and channels. The college's corporate reputation is reinforced via employer engagement, networking events, public-relations activities and media coverage, digital and online promotions, educational literature and other college publications.

Equality and diversity

Leeds City College is committed to creating and maintaining an inclusive working and learning environment that respects and celebrates difference. We aim to provide a community where everyone feels able to

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participate fully in college life and achieve their full potential.

The college's commitment to equality and diversity is endorsed and led by the college leadership team and governors. Our goal is to ensure that this commitment translates into action across the whole college community and that equality and fairness become embedded into our everyday activities. In order to achieve this ambition; we require that all staff, learners, partners, visitors, contractors and sub-contracts working on behalf of the college share our commitment.

Our latest annual equality information report, together with our equality objectives is available to view on the college website.

Disability statement

The college seeks to achieve the objectives set down in the Equality Act 2010:

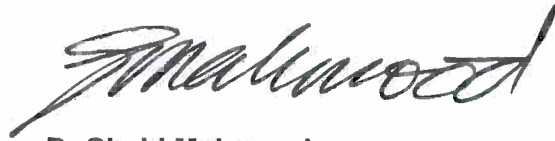
- The college has access co-ordinators to support students with practical access adjustments and provides information, advice and arranges support where necessary for students with disabilities. The college provides Oasis rooms for students with autism spectrum disorders.
- There is a list of specialist equipment, such as radio aids, which the college can make available for use by students and a range of assistive technology is available in the learning resource centres.
- The admissions policy for all students is published on the college website. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Specialist programmes are described in college prospectuses, and achievements and destinations are recorded and published in the standard college format.
- Careers guidance, counselling and welfare services are described on the

website and in the college student guide, which is issued to students during induction.

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 19 December 2016 and signed on its behalf by:



Dr Shaid Mahmood

Chair of Governors

LEEDS CITY COLLEGE
FINANCIAL STATEMENTS
for the year ended 31 July 2016
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The college is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the college has applied the principles set out in the UK Corporate Governance Code ("the code") issued by the FRC in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Governing Body, the college complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2016. 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 July 2015.

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 STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

| Name | Date of most recent appointment | Term of office | Date of resignation or expiry of term of office | Category of membership | Audit Committee member | Attendance |
|-------------------------|---------------------------------|----------------|---|--------------------------|------------------------|------------|
| A Beaumont | 1 Aug 15 | 1 year | Term of office extended to 31 Dec 16 | Governor | - | 33% |
| C Booth | 28 Sept 15 | n/a | - | Chief Exec & Principal | - | 100% |
| E Chapman | 1 Aug 16 | 1 year | - | Student | - | 100% |
| R Clunas | 22 Sept 16 | 1 year | - | Staff | √ | 100% |
| C Fricker (Vice Chair) | 1 April 14 | 3 years | - | Governor | √ (Chair) | 89% |
| B Hewitt | 1 Nov 15 | 3 years | - | Governor | - | 67% |
| D Howden | 1 Nov 15 | 1 year | 18 July 16 | Governor | - | 63% |
| G Jennings | 1 Nov 14 | 3 years | - | Governor | - | 78% |
| S Mahmood (Chair) | 1 April 14 | 3 years | - | Governor | - | 100% |
| L Raper | 1 April 16 | 1 year | - | Governor | - | 89% |
| P Roberts | 13 July 09 | n/a | 30 Sept 15 | Principal and Chief Exec | - | - |
| C Smith | 1 Nov 14 | 3 years | - | Governor | √ | 89% |
| C Turnbull (Vice Chair) | 1 Aug 16 | 1 year | - | Governor | - | 89% |

Melanie Halstead served as Clerk to the Board.

The Board set itself an overall attendance target of 85% for 2015/16. During the year there were 108 individual attendances out of a possible 129, which is 84% overall attendance.

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| Board / Committee | Attendance 2015/16 |
|---------------------------|---------------------------|
| Board | 82% |
| Audit Committee | 91% |
| Overall Attendance | 84% |

The contribution made by governors over and above attendance at formal meetings should also be acknowledged and commended. For example, the attendance records do not take account of ad hoc events such as participation in interview panels, senior post-holder appraisals, SAR validation, governor training and development, attendance at college events, etc., all of which increase the commitment placed on individual governors.

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

The Board is provided with regular and timely information on the overall financial performance of the college together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board usually meets every month.

Full minutes of all meetings, except those deemed to be confidential by the Board, are available from the Clerk to the Board at:

Leeds City College
University Centre
Park Lane
Leeds
LS3 1AA

The Clerk to the Board maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address. All governors are able to take independent professional advice in furtherance of their duties at the college's expense and have access to the Clerk to the Board, who is responsible to the Board for ensuring compliance with all applicable procedures

and regulations. The appointment, evaluation and removal of the Clerk are matters for the Board as a whole.

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

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

There is a clear division of responsibility in that the roles of the Chair and Chief Executive are separate.

Appointments to the Corporation

Any new appointments to the Board are a matter for the consideration of the Board as a whole. The Board is also responsible for ensuring that appropriate training is provided as required.

Members of the Board are appointed for a term of office not exceeding four years.

Board performance

The Board usually meet on a monthly basis and consider all areas of the business. They are supported by the audit committee.

The college's board comprises 6 to 10 non-executive members (including the Chair of the Board), the Chief Executive/Principal, one member of staff (nominated /elected by all

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staff) and one student member (the SU sabbatical president as elected by the students on an annual basis).

Audit Committee

The audit committee currently comprises of three members of the Board and one co-opted (non-governor) member. Its membership excludes the Principal and the Chair of the Board. The committee operates in accordance with written terms of reference approved by the Board.

The audit committee meets four times per year and provides a forum for reporting by the college's internal, regularity and financial statements auditors, who have access to the committee for independent discussion, without the presence of college management. The committee also receives and considers reports from the main funding bodies as they affect the college's business.

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

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

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

The Committee's remit encompasses Leeds College of Music as a wholly owned subsidiary company of Leeds City College.

Internal Control

Scope of responsibility

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

The Board has delegated the day to day responsibility to the Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the college's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Leeds City College and the Skills Funding Agency. He is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the college's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Leeds City College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

Capacity to handle risk

The Board has reviewed the key risks to which the college is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that there is a formal on-going process for identifying, evaluating and managing the college's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board.

The risk and control framework

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

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

Leeds City College has an internal audit service which operates in accordance with the requirements of the Education Funding Agency and Skills Funding Agency's *Joint Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the college is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board on the recommendation of the audit committee.

The Audit Committee is responsible for producing an annual report for the Corporation and accounting officer setting out the Committee's opinion on the adequacy and effectiveness of the college's audit arrangements, its framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness, and any significant matters arising from the work of the IAS, the financial statements and regularity auditors and any other providers of audit and assurance services to the college.

Review of effectiveness

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

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

The Chief Executive 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 auditors 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 departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the

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arrangements for internal control. The Board's agenda includes a regular 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 December 2016 meeting, the Board carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior

management team and internal audit, and taking account of events since 31 July 2016.

Going Concern

After making appropriate enquiries, the Board considers that the college has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Board on 19 December 2016 and signed on its behalf by:



Dr Shaid Mahmood
Chair
Leeds City College



Colin Booth OBE
Chief Executive and Principal
Leeds City College

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for the year ended 31 July 2016

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY
AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

The Board has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and condition of funding, under the financial memorandum in place between the college and the Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Board, 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 Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

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 Skills Funding Agency.

Approved by order of the members of the Board on 19 December 2016 and signed on its behalf by:



Dr Shaid Mahmood
Chair
Leeds City College



Colin Booth OBE
Chief Executive and Principal
Leeds City College

LEEDS CITY COLLEGE
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STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency/Education Funding Agency and the Corporation of the college, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 *Statement of Recommended Practice—Accounting for Further and Higher Education Institutions* and with the *College Accounts Direction 2015 to 2016* issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

The Board 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 the financial statements are prepared in accordance with relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the college

and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the College; the work carried out by the audits 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 Board 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 Skills Funding Agency/Education Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency/Education Funding Agency and any other conditions that may be prescribed from time to time. Members of the Board must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Board are responsible for securing economical, efficient and effective management of the college's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency/Education Funding Agency are not put at risk.

Approved by order of the members of the Board on 19 December 2016 and signed on its behalf by:



Dr Shaid Mahmood
Chair of Governors
Leeds City College

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

We have audited the Group and College financial statements ("the financial statements") of Leeds City College for the year ended 31 July 2016 set out on pages 22 to 52. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Leeds City College and Auditor

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on page 17, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report of the Governing Body to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

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 2016 and of the Group's and of the College's income and expenditure, gains and losses and changes in reserves and the Group's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice (June 2016) issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

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



Clare Partridge
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Sovereign Square, Sovereign Street, Leeds, LS1 4DA

21 December 2016

Reporting Accountant's Report on Regularity to the Corporation of Leeds City College and the Secretary of State for Education acting through Skills Funding Agency

In accordance with the terms of our engagement letter dated 12 October 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Leeds City College during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of Leeds City College and the reporting accountant

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;

-
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
 - Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
 - Testing transactions with related parties;
 - Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
 - Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Joint Audit Code of Practice.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Clare Partridge
For and on behalf of KPMG LLP, Reporting Accountant
One Sovereign Square, Sovereign Street, Leeds, LS1 4DA

21 December 2016

LEEDS CITY COLLEGE
FINANCIAL STATEMENTS
for the year ended 31 July 2016

Consolidated and College Statements of Comprehensive Income

| | Notes | Group 2016 £000 | College 2016 £000 | Group 2015 £000 | College 2015 £000 |
|--|-------|-----------------------|-------------------------|-----------------------|-------------------------|
| | | | | Restated | Restated |
| INCOME | | | | | |
| Funding body grants | 2 | 46,867 | 45,488 | 62,350 | 60,717 |
| Tuition fees and education contracts | 3 | 18,978 | 9,984 | 18,402 | 10,308 |
| Other grants and contracts | 4 | 2,530 | 2,530 | 1,830 | 1,830 |
| Other income | | 1,402 | 616 | 1,996 | 808 |
| Investment income | 5 | 45 | 45 | 72 | 72 |
| Donations and Endowments | | 20 | - | 7 | - |
| Total income | | <u>69,842</u> | <u>58,663</u> | <u>84,657</u> | <u>73,735</u> |
| EXPENDITURE | | | | | |
| Staff costs | 6 | 44,421 | 37,680 | 50,591 | 44,404 |
| Fundamental restructuring costs | 6 | 1,402 | 1,336 | 1,829 | 1,811 |
| Other operating expenses | 7 | 19,252 | 15,528 | 21,804 | 18,347 |
| Exceptional item | 7 | 444 | 444 | 521 | 521 |
| Depreciation and amortisation | 9,11 | 4,530 | 3,609 | 4,207 | 3,379 |
| Interest and other finance costs | 8 | 2,524 | 2,291 | 2,531 | 2,302 |
| Total expenditure | | <u>72,573</u> | <u>60,888</u> | <u>81,483</u> | <u>70,764</u> |
| (Deficit)/surplus before other gains and losses | | <u>(2,731)</u> | <u>(2,225)</u> | <u>3,174</u> | <u>2,971</u> |
| Profit/(loss) on disposal of assets | 9 | 770 | 772 | 155 | 163 |
| (Deficit)/Surplus before tax | | <u>(1,961)</u> | <u>(1,453)</u> | <u>3,329</u> | <u>3,134</u> |
| Taxation | | - | - | 21 | - |
| (Deficit)/surplus for the year | | <u>(1,961)</u> | <u>(1,453)</u> | <u>3,308</u> | <u>3,134</u> |
| Actuarial loss in respect of pensions schemes | 18 | (6,526) | (5,904) | (4,186) | (3,622) |
| Total Comprehensive Income for the year | | <u>(8,487)</u> | <u>(7,357)</u> | <u>(878)</u> | <u>(488)</u> |
| Represented by: | | | | | |
| Restricted comprehensive income | | 6 | - | 3 | - |
| Unrestricted comprehensive income | | <u>(8,493)</u> | <u>(7,357)</u> | <u>(881)</u> | <u>(488)</u> |
| | | <u>(8,487)</u> | <u>(7,357)</u> | <u>(878)</u> | <u>(488)</u> |

All relates to controlling interests within the group.

Consolidated and College Statement of Changes in Reserves

| | Income and expenditure account £000 | Revaluation reserve £000 | Endowment reserve £000 | Total £000 |
|---|--|--------------------------------|------------------------------|-----------------------|
| Group | | | | |
| Restated Balance at 1st August 2014 | 40,162 | 5,617 | 2 | 45,781 |
| Surplus/(deficit) from the income and expenditure account | 3,308 | - | - | 3,308 |
| Other comprehensive income | (4,186) | - | - | (4,186) |
| Increase in endowment reserve | - | - | 3 | 3 |
| Transfers between reserves | <u>158</u> | <u>(158)</u> | - | - |
| | <u>(720)</u> | <u>(158)</u> | <u>3</u> | <u>(875)</u> |
| Balance at 31st July 2015 | 39,442 | 5,459 | 5 | 44,906 |
| Surplus/(deficit) from the income and expenditure account | (1,961) | - | - | (1,961) |
| Other comprehensive income | (6,526) | - | - | (6,526) |
| Increase in endowment reserve | - | - | 6 | 6 |
| Transfers between reserves | <u>829</u> | <u>(829)</u> | <u>0</u> | - |
| Total comprehensive income for the year | <u>(7,658)</u> | <u>(829)</u> | <u>6</u> | <u>(8,481)</u> |
| Balance at 31 July 2016 | <u>31,784</u> | <u>4,630</u> | <u>11</u> | <u>36,425</u> |
| College | | | | |
| Restated Balance at 1st August 2014 | 31,628 | 5,617 | - | 37,245 |
| Surplus/(deficit) from the income and expenditure account | 3,134 | - | - | 3,134 |
| Other comprehensive income | (3,622) | - | - | (3,622) |
| Transfers between reserves | <u>158</u> | <u>(158)</u> | - | - |
| | <u>(330)</u> | <u>(158)</u> | - | <u>(488)</u> |
| Balance at 31st July 2015 | 31,298 | 5,459 | - | 36,757 |
| Surplus/(deficit) from the income and expenditure account | (1,453) | - | - | (1,453) |
| Other comprehensive income | (5,904) | - | - | (5,904) |
| Transfers between reserves | <u>829</u> | <u>(829)</u> | - | - |
| Total comprehensive income for the year | <u>(6,528)</u> | <u>(829)</u> | - | <u>(7,357)</u> |
| Balance at 31 July 2016 | <u>24,770</u> | <u>4,630</u> | = | <u>29,400</u> |

LEEDS CITY COLLEGE
FINANCIAL STATEMENTS
for the year ended 31 July 2016

Balance Sheets as at 31 July

| | Notes | Group 2016 £000 | College 2016 £000 | Group 2015 £000 Restated | College 2015 £000 Restated |
|--|-------|-----------------------|-------------------------|-----------------------------------|-------------------------------------|
| Non current assets | | | | | |
| Tangible Fixed assets | 9 | 102,341 | 89,852 | 103,087 | 90,534 |
| Investments | 10 | - | - | - | - |
| Intangible assets | 11 | <u>82</u> | <u>67</u> | <u>122</u> | <u>122</u> |
| | | <u>102,423</u> | <u>89,919</u> | <u>103,209</u> | <u>90,656</u> |
| Current assets | | | | | |
| Stocks | | 24 | 20 | 27 | 23 |
| Trade and other receivables | 12 | 3,372 | 2,985 | 4,478 | 4,065 |
| Assets held for resale | | - | - | 1,324 | 1,324 |
| Cash and cash equivalents | 17 | <u>5,467</u> | <u>5,295</u> | <u>9,943</u> | <u>9,935</u> |
| | | 8,863 | 8,300 | 15,772 | 15,347 |
| Less: Creditors – amounts falling due within one year | 13 | <u>(11,890)</u> | <u>(12,431)</u> | <u>(18,668)</u> | <u>(19,474)</u> |
| Net current assets | | <u>(3,027)</u> | <u>(4,131)</u> | <u>(2,896)</u> | <u>(4,127)</u> |
| Total assets less current liabilities | | <u>99,396</u> | <u>85,788</u> | <u>100,313</u> | <u>86,529</u> |
| Creditors – amounts falling due after more than one year | 14 | (26,765) | (24,279) | (28,303) | (25,748) |
| Provisions | | | | | |
| Defined benefit obligations | 18 | (35,593) | (31,496) | (26,997) | (23,917) |
| Other provisions | 16 | <u>(613)</u> | <u>(613)</u> | <u>(107)</u> | <u>(107)</u> |
| Total net assets | | <u>36,425</u> | <u>29,400</u> | <u>44,906</u> | <u>36,757</u> |
| Restricted reserves | | | | | |
| Endowment reserve | | 11 | - | 5 | - |
| Unrestricted reserves | | | | | |
| Income and expenditure account | | 31,784 | 24,770 | 39,442 | 31,298 |
| Revaluation reserve | | <u>4,630</u> | <u>4,630</u> | <u>5,459</u> | <u>5,459</u> |
| Total unrestricted reserves | | <u>36,414</u> | <u>29,400</u> | <u>44,901</u> | <u>36,757</u> |
| Total reserves | | <u>36,425</u> | <u>29,400</u> | <u>44,906</u> | <u>36,757</u> |

The financial statements on pages 22 to 52 were approved and authorised for issue by the Corporation on 19 December 2016 and were signed on its behalf on that date by:



Dr Shaid Mahmood
Chair of Governors



Colin Booth CBE
Chief Executive and Principal
Accounting Officer

LEEDS CITY COLLEGE
 FINANCIAL STATEMENTS
 for the year ended 31 July 2016

Consolidated Statement of Cash Flows

| | Notes | 2016 £000 | 2015 £000 Restated |
|---|-------|--------------|--------------------------|
| Cash flow from operating activities | | | |
| Surplus/(Deficit) for the year | | (1,961) | 3,308 |
| Adjustment for non-cash items | | | |
| Depreciation | | 4,530 | 4,207 |
| (Increase)/decrease in stocks | | 3 | 4 |
| (Increase)/decrease in debtors | | 2,430 | (3,969) |
| Increase/(decrease) in creditors due within one year | | (6,785) | 3,148 |
| Increase/(decrease) in provisions | | 518 | 40 |
| Revaluation movements | | - | (158) |
| Pensions adjustments | | 2,058 | 1,711 |
| | | 793 | 8,291 |
| Adjustment for investing or financing activities | | | |
| Investment income | | (45) | (72) |
| Interest payable | | 1,627 | 1,721 |
| Increase in endowment reserve | | 6 | 3 |
| Grants received | | (2,335) | (7,464) |
| Profit on sale of fixed assets | | (770) | (155) |
| Net cash flow from operating activities | | (724) | 2,324 |
| Cash flows from investing activities | | | |
| Proceeds from sale of fixed assets | | 864 | 1483 |
| Investment income | | 45 | 72 |
| Capital grants received | | 2,335 | 7,464 |
| Payments made to acquire fixed assets | | (3,838) | (9,541) |
| | | (594) | (522) |
| Cash flows from financing activities | | | |
| Interest paid | | (1,488) | (1,565) |
| Interest element of finance lease rental payments | | (139) | (156) |
| Repayments of amounts borrowed | | (1,469) | (1,468) |
| Capital element of finance lease rental payments | | (62) | (54) |
| | | (3,158) | (3,243) |
| Increase / (decrease) in cash and cash equivalents in the year | | (4,476) | (1,441) |
| Cash and cash equivalents at beginning of the year | 17 | 9,943 | 11,384 |
| Cash and cash equivalents at end of the year | 17 | 5,467 | 9,943 |

1. Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The Board has also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 23.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- A full valuation of all land and buildings has been commissioned. Revalued land values have been adopted for those properties that:
 - did not previously have a value for land that was separately identifiable from the total carrying value of the property.
 - the revalued land value is significantly different to the carrying value of the land and there are no plans to dispose of the property in the short or medium term.

The College has retained the carrying values of other freehold properties as being deemed cost at 1st August 2014 for all other items and measured at fair value for most properties.

- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows,

and the College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous revaluations as deemed cost at transition for certain non-current assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Leeds College of Music, White Rose Resourcing Limited and Leeds Apprenticeship Training Agency Limited. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2016.

Going concern

The activities of the college, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, the cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying notes.

The College currently has £26.8m of loans outstanding with bankers on terms negotiated in 2012. The terms of the agreement are to repay the loan over a 25 year period ending in 2034. The College has a firm grip on expenditure allowing sufficient headroom in forecasts and financial projections to indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the Governors have a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

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

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

All capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met, in accordance with the performance model of

accounting which is permitted in FRS 102.

Income from tuition fees is recognised in the period to which it relates and includes all fees payable by students or their sponsors.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the college is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the college is entitled to the funds.

Post retirement benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Short term Employment benefits

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

Enhanced Pensions

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

Non-Current Assets - Tangible fixed assets

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

Land and buildings

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the college of between 20 and 50 years. The college has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 5 and 50 years. Leasehold land and buildings are depreciated on a straight-line basis over their expected economic life to the college of 60 years or, if shorter, the period of the lease.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are released to income in accordance with the performance model of accounting permitted under FRS 102.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

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

- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs

- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Equipment

Equipment costing less than £2,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All equipment is depreciated over its useful economic life as follows:

- IT equipment - 4 years on a straight-line basis
- All other equipment - 5 to 30 years on a straight-line basis

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

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

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

Intangible assets

Intangible assets are initially stated at cost and are amortised on a systematic basis over their useful lives. Intangible assets relate to consultancy costs incurred for the finance software implementation and for capital projects.

Stocks

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

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial

instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

The College is 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 sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary companies are subject to corporation tax and VAT as appropriate in the same way as any commercial organisation.

Provisions

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

Agency Arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 18, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. 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.

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2. Funding Body Grants

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 Restated | College 2015 £000 Restated |
|---------------------------------------|--------------------------------|----------------------------------|---|---|
| Funding body recurrent grants | 46,034 | 44,655 | 53,869 | 52,374 |
| Specific grants | 533 | 533 | 1,296 | 1,296 |
| Releases of government capital grants | <u>300</u> | <u>300</u> | <u>7,185</u> | <u>7,047</u> |
| Total | <u>46,867</u> | <u>45,488</u> | <u>62,350</u> | <u>60,717</u> |

3. Tuition fees and education contracts

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 | College 2015 £000 |
|---------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|
| Tuition fees | 17,163 | 8,169 | 16,365 | 8,271 |
| Education contracts | <u>1,816</u> | <u>1,815</u> | <u>2,037</u> | <u>2,037</u> |
| Total | <u>18,979</u> | <u>9,984</u> | <u>18,402</u> | <u>10,308</u> |

4. Research grants and contracts

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 | College 2015 £000 |
|----------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|
| European Commission | 376 | 376 | 1,783 | 1,783 |
| Other grants and contracts | <u>2,154</u> | <u>2,154</u> | <u>47</u> | <u>47</u> |
| Total | <u>2,530</u> | <u>2,530</u> | <u>1,830</u> | <u>1,830</u> |

5. Investment income

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 Restated | College 2015 £000 Restated |
|----------------------------------|--------------------------------|----------------------------------|---|---|
| Other interest receivable | 45 | 45 | 72 | 72 |
| Pension finance income (note 26) | — | — | — | — |
| Total | <u>45</u> | <u>45</u> | <u>72</u> | <u>72</u> |

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6. Staff costs

The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, was:

| | Group 2016 Number | College 2016 Number | Group 2015 Number | College 2015 Number |
|---|----------------------------------|------------------------------------|----------------------------------|---|
| Teaching staff | 533 | 471 | 592 | 520 |
| Non teaching staff | <u>661</u> | <u>567</u> | <u>793</u> | <u>715</u> |
| | <u>1,194</u> | <u>1,038</u> | <u>1,385</u> | <u>1,235</u> |
| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 | College 2015 £000 Restated |
| Staff costs for the above persons: | | | | |
| Wages and salaries | 34,353 | 29,018 | 40,106 | 35,067 |
| Social security costs | 2,548 | 2,162 | 2,638 | 2,306 |
| Other pension costs (including FRS102 adjustments of £1,317k (2015: £914k)) | <u>5,489</u> | <u>4,662</u> | <u>5,283</u> | <u>4,610</u> |
| | 42,390 | 35,842 | 48,027 | 41,983 |
| Contracted out staffing services | <u>2,031</u> | <u>1,838</u> | <u>2,564</u> | <u>2,421</u> |
| Staff Costs | 44,421 | 37,680 | 50,591 | 44,404 |
| Restructuring costs – redundancy | <u>1,402</u> | <u>1,336</u> | <u>1,829</u> | <u>1,811</u> |
| | <u>45,823</u> | <u>39,016</u> | <u>52,420</u> | <u>46,215</u> |

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Leadership Team, as detailed on page 2. During the year there were 8 postholders in total as both the Principal and Deputy Principal left the college in 2015/16 and new postholders were subsequently appointed to those posts.

Emoluments of key management personnel, Accounting Officer and other higher paid staff

| | 2016 Group No. | 2016 College No. | 2015 Group No. | 2015 College No. |
|--|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
| The number of key management personnel including the Accounting Officer was: | 6 | 6 | 7 | 7 |

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6. Staff costs (continued)

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

| | Group 2016 Number | College 2016 Number | Group 2015 Number | College 2015 Number |
|---|-------------------------|---------------------------|-------------------------|---------------------------|
| Key management personnel: | | | | |
| £60,001 to £70,000 | - | - | - | - |
| £70,001 to £80,000 | - | - | 1 | 1 |
| £80,001 to £90,000 | 2 | 2 | 1 | 1 |
| £90,001 to £100,000 | - | - | 1 | 1 |
| £100,001 to £110,000 | 4 | 4 | 3 | 3 |
| £110,001 to £120,000 | - | - | - | - |
| £150,001 to £160,000 | 1 | 1 | - | - |
| £170,001 to £180,000 | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |
| | <u>8</u> | <u>8</u> | <u>7</u> | <u>7</u> |
| | Group 2016 Number | College 2016 Number | Group 2015 Number | College 2015 Number |
| Other staff: | | | | |
| £60,001 to £70,000 | 2 | 2 | 6 | 4 |
| £70,001 to £80,000 | 7 | 5 | 9 | 9 |
| £80,001 to £90,000 | - | - | 1 | 1 |
| £90,001 to £100,000 | - | - | 3 | 2 |
| £100,001 to £110,000 | 1 | - | 1 | 1 |
| £110,001 to £120,000 | - | - | - | - |
| £150,001 to £160,000 | - | - | - | - |
| £170,001 to £180,000 | - | - | - | - |
| | <u>10</u> | <u>7</u> | <u>20</u> | <u>17</u> |
| | | | 2016 £000 | 2015 £000 |
| Key management personnel emoluments are made up as follows: | | | | |
| Salaries | | | 678 | 681 |
| Benefits in kind | | | - | - |
| Pension contributions | | | <u>90</u> | <u>65</u> |
| Total emoluments | | | <u>768</u> | <u>746</u> |

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6. Staff costs (continued)

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

| | 2016 £000 | 2015 £000 |
|--|----------------------------|----------------------------|
| Salary up to 30/09/16 | 43 | 175 |
| Salary in lieu of pension benefit foregone | 4 | 24 |
| Salary from 28/09/16 | <u>141</u> | - |
| | 188 | 199 |
| Pension contributions | <u>22</u> | - |
| | <u>210</u> | <u>199</u> |

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and West Yorkshire Pensions Fund and are paid at the same rate as for other employees.

No compensation for loss of office has been paid to former senior post-holders or higher paid employees.

The members of the Board other than the Principal and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

7. Other operating expenses

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 | College 2015 £000 |
|--------------------|--|--|--|--|
| Teaching costs | 6,993 | 6,333 | 8,115 | 7,738 |
| Non teaching costs | 8,005 | 5,581 | 8,903 | 6,781 |
| Premises costs | <u>4,254</u> | <u>3,614</u> | <u>4,786</u> | <u>4,188</u> |
| | 19,252 | 15,528 | 21,804 | 18,347 |
| Exceptional costs | <u>444</u> | <u>444</u> | <u>521</u> | <u>521</u> |
| Total | <u>19,696</u> | <u>15,972</u> | <u>22,325</u> | <u>18,868</u> |

In 2014/15 a control weakness was identified around agency funds. Provision for the potential recovery of these funds has been included as an exceptional item totalling £444k in 2015/16.

One of the subcontractors the college had worked with during the 2014/15 year went into liquidation in September 2015. Costs which were due to be recovered from this subcontractor totalling £521k are disclosed as an exceptional item in 2014/15.

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7. Other operating expenses (continued)

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 | College 2015 £000 |
|--|--------------------------------|----------------------------------|--------------------------------|----------------------------------|
| Non teaching costs above include: | | | | |
| Auditors remuneration: | | | | |
| - financial statements audit | 70 | 55 | 67 | 54 |
| - internal audit | 97 | 89 | 76 | 68 |
| Other services provided by the financial statement auditor | - | - | - | - |
| Other services provided by the internal auditor | - | - | 30 | 30 |
| Loss on disposal of tangible fixed assets | 2 | - | 8 | - |
| Hire of assets under operating leases | 932 | 876 | 1,500 | 1,442 |

8. Interest and other finance costs

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 Restated | College 2015 £000 Restated |
|--|--------------------------------|----------------------------------|---|---|
| On bank loans, overdrafts and other loans: | | | | |
| Repayable within five years, not by instalments | - | - | - | - |
| Repayable within five years, by instalments | - | - | - | - |
| Repayable wholly or partly in more than five years | <u>1,488</u> | <u>1,488</u> | <u>1,565</u> | <u>1,565</u> |
| | 1,488 | 1,488 | 1,565 | 1,565 |
| On finance leases | 139 | - | 156 | - |
| Pension finance costs | <u>897</u> | <u>803</u> | <u>810</u> | <u>737</u> |
| | <u>2,524</u> | <u>2,291</u> | <u>2,531</u> | <u>2,302</u> |

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9. Tangible fixed assets – Group

| | Land and buildings | | Equipment | Assets in the course of construction | Total |
|---------------------------------------|--------------------|------------------|------------------|--|------------------|
| | Freehold | Leasehold | | | |
| | £000 Restated | £000 Restated | £000 Restated | £000 Restated | £000 Restated |
| Cost or valuation | | | | | |
| At 1 August 2015 | 97,467 | 14,144 | 11,536 | 6,137 | 129,284 |
| Re-classification | 4,940 | - | 895 | (5,835) | - |
| Additions | 658 | 309 | 884 | 1,987 | 3,838 |
| Disposals | (101) | (461) | (2,971) | - | (3,533) |
| At 31 July 2016 | <u>102,964</u> | <u>13,992</u> | <u>10,344</u> | <u>2,289</u> | <u>129,589</u> |
| Accumulated depreciation | | | | | |
| At 1 August 2015 | 16,365 | 2,534 | 7,298 | - | 26,197 |
| Charge for year | 2,428 | 616 | 1,431 | - | 4,475 |
| Disposals | (5) | (461) | (2,958) | - | (3,424) |
| At 31 July 2016 | <u>18,788</u> | <u>2,689</u> | <u>5,771</u> | <u>-</u> | <u>27,248</u> |
| Net book value at 31 July 2016 | <u>84,176</u> | <u>11,303</u> | <u>4,573</u> | <u>2,289</u> | <u>102,341</u> |
| Net book value at 31 July 2015 | <u>81,102</u> | <u>11,610</u> | <u>4,238</u> | <u>6,137</u> | <u>103,087</u> |

The restated balance for the group and college includes an adjustment to remove a previously disposed property from the note. Thomas Danby Campus had been impaired in 2012/13 to a net book value of £nil and the disposal was completed in 2014/15. The amount of £6.8m has been removed from the opening balances for both cost and depreciation, with £nil net effect to total fixed assets.

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9 Tangible fixed assets (continued) - College

| | Land and buildings | | Equipment | Assets in the course of construction | Total |
|---------------------------------------|--------------------|------------------|------------------|--|------------------|
| | Freehold | Leasehold | | | |
| | £000 Restated | £000 Restated | £000 Restated | £000 Restated | £000 Restated |
| Cost or valuation | | | | | |
| At 1 August 2015 | 97,467 | 1,417 | 9,545 | 6,137 | 114,566 |
| Re-classification | 4,940 | - | 895 | (5,835) | - |
| Additions | 658 | - | 334 | 1,987 | 2,979 |
| Disposals | <u>(101)</u> | <u>(461)</u> | <u>(2,951)</u> | <u>-</u> | <u>(3,513)</u> |
| At 31 July 2016 | <u>102,964</u> | <u>956</u> | <u>7,823</u> | <u>2,289</u> | <u>114,032</u> |
| Accumulated depreciation | | | | | |
| At 1 August 2015 | 16,365 | 846 | 6,821 | - | 24,032 |
| Charge for year | 2,428 | 96 | 1,030 | - | 3,554 |
| Disposals | <u>(5)</u> | <u>(461)</u> | <u>(2,940)</u> | <u>-</u> | <u>(3,406)</u> |
| At 31 July 2016 | <u>18,788</u> | <u>481</u> | <u>4,911</u> | <u>-</u> | <u>24,180</u> |
| Net book value at 31 July 2016 | <u>84,176</u> | <u>475</u> | <u>2,912</u> | <u>2,289</u> | <u>89,852</u> |
| Net book value at 31 July 2015 | <u>81,102</u> | <u>571</u> | <u>2,724</u> | <u>6,137</u> | <u>90,534</u> |

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

FRS 102 paragraph 35.10(c) allows a first time adopter to measure tangible fixed assets at their fair value on the date of transition to FRS 102, and to use that fair value as the deemed cost. Therefore a valuation of all land and buildings was commissioned with an effective date of 1 August 2014. The valuation was on the basis of depreciated replacement cost and was carried out during 2016 by a MRICS registered valuer at the Valuation Office Agency, a firm of independent chartered surveyors.

If freehold land and buildings had not been valued they would have been included at the following amounts:

| | £000 |
|---------------------------------------|---------------|
| Cost | 99,315 |
| Aggregated depreciation based on cost | <u>20,343</u> |
| Net book value based on cost | <u>78,972</u> |

The gross book value of freehold land and buildings includes land with a value of £3,080k (2015: £2,380k) which is not depreciated.

The net book value of tangible fixed assets includes an amount of £3,360k (2015: £3,178k) in respect of assets held under finance leases. The depreciation charge in these assets for the year was £86k (2015: £79k).

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10. Investments

| | 2016 | 2015 |
|-------------------------------------|-------------|-------------|
| | £000 | £000 |
| Investments in subsidiary companies | = | = |

On 7 April 2011 the college formed Leeds College of Music, a company limited by guarantee and incorporated in England and Wales. On 1 August 2011 the company acquired the assets and liabilities of the higher education corporation known as Leeds College of Music for no consideration. Leeds College of Music commenced trading on 1 August 2011.

On 26 July 2016, the college became the sole owner of the Leeds Apprenticeship Training Agency Limited (LATA), a company limited by guarantee without share capital. The college had previously owned 50%, with the other 50% being owned by Leeds City Council. For the year to 31 July 2016, the Leeds Apprenticeship Training Agency Limited had a loss of £54k and reserves of £71k.

The college formed White Rose Resourcing Limited, a private limited company incorporated in England and Wales with 2 ordinary shares of £1 each. White Rose Resourcing Limited commenced trading on 1 September 2015. For the year to 31 July 2016, White Rose Resourcing Limited had a loss of £13k and negative reserves of £13k.

For the year ending 31 July 2016, both the Leeds Apprenticeship Training Agency Limited and White Rose Resourcing Limited were entitled to exemption for audit under section 477 of the Companies Act 2006 relating to small companies.

11. Intangible assets

| | Group | College | Group | College |
|------------------------|------------------|------------------|-------------------|-------------------|
| | 2016 | 2016 | 2015 | 2015 |
| | £000 | £000 | £000 | £000 |
| At 1 August 2015 | 122 | 122 | 173 | 173 |
| Additions | 15 | - | 4 | 4 |
| Amortisation | <u>(55)</u> | <u>(55)</u> | <u>(55)</u> | <u>(55)</u> |
| At 31 July 2016 | <u>82</u> | <u>67</u> | <u>122</u> | <u>122</u> |

12. Debtors

| | Group | College | Group | College |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2016 | 2016 | 2015 | 2015 |
| | £000 | £000 | £000 | £000 |
| | | | Restated | Restated |
| Amounts falling due within one year: | | | | |
| Trade debtors | 767 | 618 | 877 | 605 |
| Other debtors | 106 | 105 | 18 | 18 |
| Prepayments and accrued income | <u>2,499</u> | <u>2,262</u> | <u>3,583</u> | <u>3,442</u> |
| Total | <u>3,372</u> | <u>2,985</u> | <u>4,478</u> | <u>4,065</u> |

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13. Creditors: amounts falling due within one year

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 Restated | College 2015 £000 Restated |
|------------------------------------|--------------------------------|----------------------------------|---|---|
| Bank loans and overdrafts | 1,457 | 1,457 | 1,457 | 1,457 |
| Obligations under finance leases | 66 | - | 59 | - |
| Payments received in advance | 675 | 522 | 1,265 | 1,232 |
| Trade creditors | 959 | 716 | 846 | 660 |
| Amounts owed to group undertakings | - | 1,704 | - | 1,715 |
| Other creditors | 2,500 | 2,315 | 3,587 | 3,459 |
| Other taxation and social security | 810 | 669 | 967 | 865 |
| Accruals | 4,098 | 3,723 | 6,513 | 6,112 |
| Amounts owed to the funding bodies | <u>1,325</u> | <u>1,325</u> | <u>3,974</u> | <u>3,974</u> |
| Total | <u>11,890</u> | <u>12,431</u> | <u>18,668</u> | <u>19,474</u> |

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

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 | College 2015 £000 |
|----------------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|
| Bank loans | 24,279 | 24,279 | 25,748 | 25,748 |
| Obligations under finance leases | <u>2,486</u> | - | <u>2,555</u> | - |
| Total | <u>26,765</u> | <u>24,279</u> | <u>28,303</u> | <u>25,748</u> |

15. Maturity of debt

(a) Bank loans

Bank loans are repayable as follows:

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 | College 2015 £000 |
|----------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|
| In one year or less | 1,457 | 1,457 | 1,457 | 1,457 |
| Between one and two years | 1,457 | 1,457 | 1,457 | 1,457 |
| Between two and five years | 4,372 | 4,372 | 4,372 | 4,372 |
| In five years or more | <u>18,450</u> | <u>18,450</u> | <u>19,919</u> | <u>19,919</u> |
| Total | <u>25,736</u> | <u>25,736</u> | <u>27,205</u> | <u>27,205</u> |

This represents two unsecured term loans with Santander UK PLC. The terms of the agreement are to repay the loan over a remaining 18 year period ending in 2034.

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15. Maturity of debt (continued)

(b) Finance leases

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 | College 2015 £000 |
|----------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|
| In one year or less | 66 | - | 59 | - |
| Between two and five years | 323 | - | 292 | - |
| In five years or more | <u>2,163</u> | <u>-</u> | <u>2,263</u> | <u>-</u> |
| | <u>2,552</u> | <u>-</u> | <u>2,614</u> | <u>-</u> |

Finance leases obligations are secured on the assets to which they relate, being Joseph Stones House at Leeds College of Music.

16. Provisions for liabilities and charges

| | Defined benefit obligations £000 | Enhanced pensions £000 | Other £000 | Total £000 |
|---|---|---------------------------------------|-----------------------|-----------------------|
| Group | | | | |
| At 1 August 2015 | 25,141 | 1,856 | 107 | 27,104 |
| Expenditure in the period | (2,491) | (125) | - | (2,616) |
| Transferred from income and expenditure | <u>11,075</u> | <u>137</u> | <u>506</u> | <u>11,718</u> |
| At 31 July 2016 | <u>33,725</u> | <u>1,868</u> | <u>613</u> | <u>36,206</u> |

| | Defined benefit obligations £000 | Enhanced pensions £000 | Other £000 | Total £000 |
|---|---|---------------------------------------|-----------------------|-----------------------|
| College | | | | |
| At 1 August 2015 | 22,298 | 1,619 | 107 | 24,024 |
| Expenditure in the period | (2,010) | (106) | - | (2,116) |
| Transferred from income and expenditure | <u>9,558</u> | <u>137</u> | <u>506</u> | <u>10,201</u> |
| At 31 July 2016 | <u>29,846</u> | <u>1,650</u> | <u>613</u> | <u>32,109</u> |

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16. Provisions for liabilities and charges (continued)

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

The principal assumptions for this calculation are:

| | 2016 | 2015 |
|-------------------|-------------|-------------|
| Interest rate | 2.3% | 3.5% |
| Net interest rate | 1.3% | 1.7% |

17. Cash and cash equivalents

| | At 1 August 2015 | Cash flows | At 31 July 2016 |
|---------------------------|-------------------------|-----------------------|------------------------|
| | £000 | £000 | £000 |
| Cash and cash equivalents | 9,943 | (4,476) | 5,467 |
| Total | <u>9,943</u> | <u>(4,476)</u> | <u>5,467</u> |

18. Defined benefit obligations

The college's employees belong to three pension schemes: the Teachers' Pensions Scheme England and Wales (TPS) for academic and related staff; the West Yorkshire Pension Fund (WYPF) for non-teaching staff; and the People's Pension. The TPS and WYPF are defined benefit schemes and the People's Pension is a defined contribution scheme.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the WYPF 31 March 2010.

Total pension cost for the year

| | Group 2016 £000 | Group 2015 £000 |
|--|--------------------------------|--------------------------------|
| Teachers' Pension Scheme: Contributions paid | 2,245 | 2,248 |
| West Yorkshire Pension Fund: | | |
| Contributions paid | 1,917 | 2,113 |
| FRS102 charge | <u>1,297</u> | <u>884</u> |
| Charge to the Income and Expenditure | 3,214 | 2,997 |
| Enhanced pension charge/(credit) to Income and Expenditure | 8 | 8 |
| Peoples Pension | <u>22</u> | <u>30</u> |
| Total pension cost for year | <u>5,489</u> | <u>5,283</u> |

18. Defined benefit obligations (continued)

Teachers' pension scheme

Introduction

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

The Teachers' Pension Budgeting And Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

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

Valuation Of The Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS will be implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

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

Scheme Changes

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

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

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18. Defined benefit obligations (continued)

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

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

The pension costs paid to TPS in the year amounted to £2,245k (2015: £2,248k).

Financial Reporting Standard 102 (28)

Under the definitions set out in FRS 102 (28.11), 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 plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

West Yorkshire Pension Fund

The WYPF is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2016 was £2,906k (2015: £3,217k) of which employer's contributions totalled £1,917k and employees' contributions totalled £989k. The agreed contribution rates for future years are 13% for employers and range from 5.5% to 12.5% for employees, depending on salary.

FRS 102 Principal Actuarial Assumptions

| | At 31 July 2016 WYPF funded benefits | At 31 July 2016 WYPF unfunded benefits | At 31 July 2015 WYPF funded benefits | At 31 July 2015 WYPF unfunded benefits |
|------------------------------------|--|--|--|--|
| Expected rate of salary increases* | 1.0% | n/a | 1.0% | n/a |
| Future pension increases | 1.8% | 1.8% | 2.1% | 1.9% |
| Discount rate | 2.4% | 2.4% | 3.6% | 3.5% |
| Inflation assumption (CPI) | 1.8% | 1.8% | 2.1% | 1.9% |

The expected return on scheme assets was determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected yields on bonds are based on gross redemption yields at the balance sheet date whilst the expected returns on the equity and property investments reflect the long-term real rates of return experienced in the respective markets.

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18. Defined benefit obligations (continued)

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

| | At 31 July 2016 | At 31 July 2015 |
|-----------------------------|----------------------------|----------------------------|
| <i>Retiring today</i> | | |
| Males | 22.7 | 22.6 |
| Females | 25.6 | 25.5 |
| <i>Retiring in 20 years</i> | | |
| Males | 24.9 | 24.8 |
| Females | 28.0 | 27.8 |

The estimated college's share of the asset and liabilities in the scheme and the expected rates of return were:

| | Group | College | Group | College |
|-------------------------------------|---|---|---|---|
| | Value at 31 July 2016 £000 | Value at 31 July 2016 £000 | Value at 31 July 2015 £000 | Value at 31 July 2015 £000 |
| Equities | 69,493 | 62,205 | 62,797 | 56,605 |
| Government Bonds | 10,364 | 9,277 | 8,604 | 7,756 |
| Corporate bonds | 3,886 | 3,479 | 3,806 | 3,431 |
| Property | 4,442 | 3,976 | 3,723 | 3,356 |
| Cash | 1,295 | 1,160 | 1,241 | 1,119 |
| Other | <u>3,054</u> | <u>2,733</u> | <u>2,565</u> | <u>2,312</u> |
| Total market value of assets | 92,534 | 82,829 | 82,736 | 74,579 |
| Actual return on plan assets | 9,433 | 8,472 | 7,020 | 6,350 |
| Present value of scheme liabilities | | | | |
| - Funded | (125,840) | (112,264) | (107,483) | (96,491) |
| - Unfunded | <u>(419)</u> | <u>(411)</u> | <u>(394)</u> | <u>(386)</u> |
| Deficit in the scheme | <u>(33,725)</u> | <u>(29,846)</u> | <u>(25,141)</u> | <u>(22,298)</u> |

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18. Defined benefit obligations (continued)

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

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 | College 2015 £000 |
|---|-----------------------|-------------------------|-----------------------|-------------------------|
| Fair value of plan assets | 92,534 | 82,829 | 82,736 | 74,579 |
| Present value of plan liabilities | (125,840) | (112,264) | (107,483) | (96,491) |
| Present value of unfunded liabilities | (419) | (411) | (394) | (386) |
| Net pensions (liability)/asset (Note 19) | (33,725) | (29,846) | (25,141) | (22,298) |

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

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 | College 2015 £000 |
|--|-----------------------|-------------------------|-----------------------|-------------------------|
|--|-----------------------|-------------------------|-----------------------|-------------------------|

Amounts included in staff costs

| | | | | |
|----------------------|--------------|--------------|--------------|--------------|
| Current service cost | 3,255 | 2,455 | 3,135 | 2,488 |
| Past service cost | 556 | 556 | 221 | 221 |
| Total | 3,811 | 3,011 | 3,356 | 2,709 |

Amounts included in interest and other finance costs

| | | | | |
|---------------------------------|------------|------------|------------|------------|
| Interest on pension liabilities | 860 | 766 | 746 | 673 |
| Net interest cost | 860 | 766 | 746 | 673 |

Amounts recognised in Other Comprehensive Income

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Return on pension plan assets | 6,448 | 5,791 | 3,932 | 3,557 |
| Experience losses arising on defined benefit obligations | (12,874) | (11,595) | (7,953) | (7,014) |
| Amount recognised in Other Comprehensive Income | (6,426) | (5,804) | (4,021) | (3,457) |

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18. Defined benefit obligations (continued)

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

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 | College 2015 £000 |
|---|--------------------------------|----------------------------------|--------------------------------|----------------------------------|
| Surplus/(deficit) in scheme at 1 August | (25,141) | (22,298) | (19,399) | (17,379) |
| Movement in year: | | | | |
| Current service cost | (3,255) | (2,455) | (3,135) | (2,488) |
| Employer contributions | 2,491 | 2,010 | 2,359 | 1,897 |
| Past service cost | (556) | (556) | (221) | (221) |
| Net interest on the defined (liability)/asset | (860) | (766) | (746) | (673) |
| Net benefits paid out | 23 | 23 | 23 | 23 |
| Remeasurement gains on assets | 5,791 | 5,791 | 3,557 | 3,557 |
| Actuarial gain or loss | (12,218) | (11,595) | (7,579) | (7,014) |
| Net defined benefit (liability)/asset at 31 July | (33,725) | (29,846) | (25,141) | (22,298) |

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

| | | | | |
|--|----------------|----------------|----------------|---------------|
| Defined benefit obligations at start of period | 107,877 | 96,877 | 94,278 | 85,373 |
| Current Service cost | 3,255 | 2,455 | 3,135 | 2,488 |
| Interest cost | 3,846 | 3,447 | 3,834 | 3,466 |
| Contributions by Scheme participants | 991 | 704 | 1,084 | 819 |
| Experience gains and losses on defined benefit obligations | 12,874 | 11,595 | 7,954 | 7,014 |
| Changes in financial assumptions | - | - | - | - |
| Benefits paid | (3,140) | (2,959) | (2,629) | (2,504) |
| Past Service cost | 556 | 556 | 221 | 221 |
| Defined benefit obligations at end of period | 126,259 | 112,675 | 107,877 | 96,877 |

Reconciliation of Assets

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Fair value of plan assets at start of period | 82,736 | 74,579 | 74,879 | 67,994 |
| Interest on plan assets | 2,985 | 2,681 | 3,088 | 2,793 |
| Remeasurement gains on assets | 6,448 | 5,791 | 3,932 | 3,557 |
| Return on plan assets | 0 | 0 | 0 | 0 |
| Employer contributions | 2,491 | 2,010 | 2,359 | 1,897 |
| Contributions by Scheme participants | 991 | 704 | 1,084 | 819 |
| Benefits paid | (3,117) | (2,936) | (2,606) | (2,481) |
| Assets at end of period | 92,534 | 82,829 | 82,736 | 74,579 |

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19. Post balance sheet events

The college has received grant funding of £33.4m from the Local Enterprise Partnership (LEP) to facilitate the development of a new campus at Quarry Hill in Leeds. The campus is planned to be open and receiving student in September 2018.

20. Capital commitments

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 | College 2015 £000 |
|--|-----------------------|-------------------------|-----------------------|-------------------------|
| Commitments contracted for as at 31 July | <u>1,239</u> | <u>1,061</u> | <u>987</u> | <u>612</u> |
| Authorised but not contracted at 31 July | <u>-</u> | <u>-</u> | <u>223</u> | <u>223</u> |

21. Lease obligations

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

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 | College 2015 £000 |
|--|-----------------------|-------------------------|-----------------------|-------------------------|
| Land and buildings | | | | |
| Expiring within one year | - | - | - | - |
| Expiring within one and five years inclusive | - | - | - | - |
| Expiring in over five years | <u>3,010</u> | <u>3,010</u> | <u>3,162</u> | <u>3,162</u> |
| | <u>3,010</u> | <u>3,010</u> | <u>3,162</u> | <u>3,162</u> |
| Other | | | | |
| Expiring within one year | 34 | 16 | 25 | 23 |
| Expiring within one and five years inclusive | 805 | 784 | 1,272 | 1,233 |
| Expiring in over five years | <u>48</u> | <u>25</u> | <u>51</u> | <u>22</u> |
| | <u>887</u> | <u>825</u> | <u>1,348</u> | <u>1,278</u> |

22. Related party transactions

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

Transactions with the funding bodies are detailed in notes 2, 12, and 18.

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23. Amounts disbursed as agent

Learner support funds

| | Group 2016 £000 | College 2016 £000 | Group 2015 £000 | College 2015 £000 |
|----------------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|
| Funding body grants | 3,677 | 3,618 | 3,879 | 3,804 |
| Disbursed to students | (3,059) | (3,019) | (3,591) | (3,544) |
| Administration costs | <u>(157)</u> | <u>(155)</u> | <u>(174)</u> | <u>(172)</u> |
| Balance underspent as at 31 July | <u>461</u> | <u>444</u> | <u>113</u> | <u>88</u> |

Funding body grants are available solely for students in the majority of instances and the college only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Income and Expenditure account

24. Transition to FRS102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the college has presented its financial statements under FRS102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SOP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the college's financial position, financial performance and cash flows, is set out below.

| | 1st August 2014 | | 31st July 2015 | |
|--|-----------------------------------|-------------------------|----------------------------------|-------------------------|
| | Group £000 | College £000 | Group £000 | College £000 |
| Financial Position | | | | |
| Total reserves under previous SORP | 22 | (2,913) | (6,508) | (9,297) |
| Employee leave accrual | (814) | (735) | (998) | (913) |
| Revaluation of land and buildings | 440 | 440 | 621 | 621 |
| Release of non-government capital grants | 46,134 | 40,454 | 51,791 | 46,346 |
| Total effect of transition to FRS 102 and 2015 FE HE SORP | <u>45,760</u> | <u>40,159</u> | <u>51,414</u> | <u>46,054</u> |
| Total reserves under 2015 FE HE SORP | <u>45,782</u> | <u>37,246</u> | <u>44,906</u> | <u>36,757</u> |

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24. Transition to FRS 102 and the 2015 FE HE SORP (continued)

| | Year ended 31 July 2015 | |
|--|-------------------------|-----------------|
| | Group £000 | College £000 |
| Financial Performance | | |
| (Loss)/Surplus for the year after tax under previous SORP | (546) | (1,157) |
| Movement in employee leave accrual | (184) | (178) |
| Release of capital grants received | 6,029 | 5,891 |
| Revaluation of land and buildings | 183 | 183 |
| Reversal of capital grants amortisation | (372) | - |
| Pensions provision – actuarial loss | (4,228) | (3,622) |
| Changes to measurement of net finance cost on defined benefit funds | (1,760) | (1,605) |
| Total effect of transition to FRS 102 and 2015 FE HE SORP | (332) | 669 |
| Total comprehensive income for the year under 2015 FE HE SORP | (878) | (488) |

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 9 days unused leave for staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £735k was recognised at 1 August 2014, and at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £178k has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Capital grants accounted for under performance model

The College has previously been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the

24. Transition to FRS 102 and the 2015 FE HE SORP (continued)

grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved.

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

d) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

e) Valuation of land and buildings

Paragraph 35.10(c) of FRS102 allows a first time adopter to measure a tangible fixed asset at its fair value on the date of transition to FRS 102, and to use that fair value as its deemed cost. This can be applied to selected assets and does not need to be applied to all assets within a class of assets. The College had all land and buildings valued as at the transition date of 1 August 2014, and has adopted the valuation as deemed cost for some properties.