



**LEEDS CONSERVATOIRE
(FORMERLY LEEDS COLLEGE OF MUSIC)**

**A COMPANY LIMITED BY GUARANTEE
(COMPANY NUMBER 7596410)**

**REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2020**

KEY MANAGEMENT PERSONNEL

Key management personnel are defined as members of the Conservatoire's executive leadership team and were represented by the following in 2019/20:

| | |
|---------------------------------|---|
| Mr Gerry Godley* | Principal & Managing Director (and Accountable Officer) |
| Mr David Warren | Chief Operating Officer |
| Professor Joe Wilson | Vice Principal & Director of Curriculum |
| <i>* left 30 September 2020</i> | |

BOARD OF DIRECTORS

A full list of Directors is given on pages 17 & 18 of these financial statements. Ms Melanie Halstead acted as Director of Governance throughout this period.

PROFESSIONAL ADVISORS

FINANCIAL STATEMENTS AND REPORTING ACCOUNTANTS

KPMG LLP
1 Sovereign Square,
Sovereign Street,
Leeds,
LS1 4DA

INTERNAL AUDITORS

RSM
2 Wellington Place
Leeds
LS1 4AP

BANKERS

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

SOLICITORS

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

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| DIRECTORS REPORT | 4 |
| STRATEGIC REPORT | 13 |
| STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL | 17 |
| STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE | 23 |
| STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE BOARD | 24 |
| INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEEDS CONSERVATOIRE | 26 |
| STATEMENT OF COMPREHENSIVE INCOME | 29 |
| STATEMENT OF CHANGES IN RESERVES | 30 |
| BALANCE SHEET AS AT 31 JULY 2020 | 31 |
| CASHFLOW STATEMENT | 32 |
| NOTES TO THE ACCOUNTS | 33 |

The Directors present their report and the audited financial statements for the year ended 31 July 2020.

Legal status

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

The institution was designated by statutory instrument on 22 June 2018 as an institution eligible to receive funding from the Office for Students. On 11 August 2020, Leeds College of Music changed its name to become known as Leeds Conservatoire.

Vision, mission and values

Our vision is to be a leading European Conservatoire.

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

We will achieve this by living the following values:

- Creative
- Rigorous
- Supportive
- Sustainable

Public Benefit

Leeds Conservatoire is an exempt charity under Part 3 of the Charities Act 2011 regulated by the Secretary of State for Education through the Office for Students. The directors of the Board, who are trustees of the charity, are disclosed on pages 17 & 18.

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

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

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

Implementation of strategic plan

2019/20 was the final year of our Strategic Plan 2015 – 2020, which split our Strategic aims into two elements:

Core Aims: Quality

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

Enabling Aims: Growth

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

We monitored progress towards the key core and enabling aims regularly through a set of key performance indicators (KPIs).

Strategic aim 1: Offer our students an exceptional learning experience

Overall satisfaction in the National Student Survey increased by 4 percentage points on the prior year, with 84% satisfaction, the Conservatoire's highest ever rate. Published agreement rates for each of Overall Satisfaction, Academic Support, Assessment and Feedback, Learning Opportunities, Organisation and Management, and 'The Teaching on My Course' were the highest ever achieved by the Conservatoire. The response rate was 85%, the second highest response rate on record, only slightly down on 87% the prior year.

Strategic aim 2: Be a centre of creative discovery

We have continued to attract musicians and audiences from all age groups to take part in our creative activities. These include Leeds Junior Conservatoire, Short Courses, our work with school and college partners, an annual concert season and the Sounds Like This festival. Our students take creative discovery out into the city through our flagship ensembles, and through community music projects and live music management projects as part of the curriculum. Our students also perform regularly at venues across Leeds.

Strategic aim 3: Embed collaboration within our culture

Our collaborative activities have expanded during 2019/20 through the development of new partnerships locally, nationally and internationally. Particular areas of focus have been local cultural partnerships that support delivery of our performance and performing arts curricula, and partnerships with European institutions that support student movement through the Erasmus+ scheme.

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

KPIs for staff turnover and staff absenteeism were met, in particular absenteeism was low (2.8% against the KPI of 4.0%). Staff satisfaction was good: 90% of staff reported that they were proud to work at the Conservatoire (above the target of 85%). Staff satisfaction was good (81% overall, with a range of 70%-94% for different staff groups), and staff were proud to work at the conservatoire (90% overall, above the target of 85% and with a range of 85%-94% for different staff groups).

Strategic aim 5: Provide exemplary facilities and technology

We continue to make significant investment into our specialist resources and facilities for performance, production and study – most notably in 2019/20 with the opening of our new specialist Performing Arts facilities and the purchase of additional technology enhanced learning resources to support the delivery of online teaching during Covid-19.

Strategic aim 6: Operate sustainably

Overall student recruitment was marginally down (1.0%) against target, and there were lower than expected continuation rates on BA (Hons) courses from the first to the second year of study, resulting in an income shortfall of 3.8%. Early intervention in relation to student progress and continuation meant that withdrawal rates were lower than forecast, which mitigated the financial impact.

Commercial and full-cost income was suppressed during the Covid-19 pandemic, but this was offset by savings in a number of areas due to reduction of activities across the Conservatoire.

Impact of Covid-19 on the Strategic Plan

The Conservatoire suspended face to face teaching on 17 March and closed its buildings to staff and students on 20 March 2020, ahead of the first national Covid-19 lockdown. Teaching and assessment were moved online to preserve continuity of study, and a Business Continuity Group was formed to monitor risks and control measures, and to plan and deliver online provision in line with government and Office for Students guidance.

Amended assessment arrangements and ‘safety net’ policies for HE students were agreed with our validating body, the University of Hull. We invested in additional technology to support online teaching and learning, expanded online support and wellbeing resources for staff and students and published additional guidance on safeguarding and safe remote learning. On-campus events were cancelled and refunds issued to ticket holders; Short Courses and Leeds Junior Conservatoire also completed the year online. In-person student recruitment was suspended, and the Conservatoire was one of the first in the sector to move to fully online open days, which have been very successful.

All staff were considered to be working at home and paid as normal; we also provided adjustments to home working environments where needed and a number of staff whose activity was reduced due to Covid-19 were redeployed to other areas of the Conservatoire to support increases in workload.

The impact of the disruption was assessed through regular communication with staff and students, and formal and informal feedback opportunities that were fed back to the Business Continuity Group. Outcomes and lessons learned from the disruption were also fed into scenario plans for reopening our buildings in September 2020.

The Business Continuity Group continues to meet three times a week and the Conservatoire is actively engaged with the Leeds Universities-City Covid Collaboration groups and the Luminate Education Group Covid Recovery Steering Group. A new Interim Strategic Plan has been published for 2020-22, which sets out how we will operate in the aftermath of the Covid-19 pandemic, to stabilise and support the Conservatoire community.

Financial objectives

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

Financial results

The Conservatoire generated a deficit before other gains and losses of (£1,670k) during the year ended 31 July 2020 (2018/19: deficit of (£1,961k)), with total comprehensive income of (£10,036k) (2018/19: (£4,260k)).

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

The Conservatoire's deficit for the year of (£1,670k) is after adjusting for the following items below:

- FRS102 pension costs being the difference between the estimated liability charge to the Conservatoire and that paid by the Conservatoire in employer contributions of £737k (2018/19: £725k), recorded in staff costs.
- Net interest of £172k (2018/19: £120k) on the Conservatoire's liabilities within the West Yorkshire Pension Scheme, reported within Interest and other finance costs.

An actuarial loss of £18.3m on the pension scheme meant total Comprehensive income was £10m in deficit in the year.

Further discussion of the derivation of the pension costs is set out in Note 16 to these accounts.

The current funding regime for higher education students provides the Conservatoire with the opportunity to pursue growth in its core business through increased student numbers. The key to improving financial health will be for the institution to maintain the current cost profile of its new curriculum whilst maintaining the quality of provision and support necessary to both attract further growth over future years and retain existing enrolled students.

The financial performance in 2019/20, whilst presenting a higher deficit than budgeted for, demonstrates the move towards the long-term viability of the Conservatoire's operating model through continued student growth and capital investment necessary to accommodate this growth. The incorporation of new business planning processes to ensure that it is realised and a further commitment to a shared service approach to core business functions have been adopted. Securing efficiency advantages and controlling costs of these support services within the Luminate Education Group, will allow the Conservatoire to focus on its core aim of offering students an exceptional learning experience. For example, any efficiencies will be used to improve in year retention. The predicted 39% growth in student enrolments over the next 3 years will be reached through new programmes in the performing arts as well as modest growth in existing music courses. Demand for the new Musical Theatre degree has been outstanding, with 12 applicants received for each place.

Significant increases in applications overall and notable conversion rate improvements provide more assurances that the institution's reputation and marketing reach is strong.

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

Balance Sheet

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

Treasury policies and objectives

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

Liquidity

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

Post-balance sheet (non-adjusting) events

On 20 November 2020, the High Court handed down a further judgment on the Guaranteed Minimum Pension (GMP) equalisation case in relation to the Lloyds banking group pension schemes. This follows from the original judgment in October 2018 which confirmed that schemes need to equalise pensions for the effect of unequal GMPs between males and females. This latest judgment confirms that Defined Benefit (DB) schemes which provide GMPs need to revisit and where necessary top up historical Cash Equivalent Transfer Values that were calculated based on unequalised benefits. For entities with a balance sheet date prior to 20 November 2020 signing accounts after that date, the judgment is a non-adjusting post balance sheet event in accordance with IAS 10. Given the historically low levels of transfers by members from the LGPS in general, we consider it likely that any further adjustment resulting from this latest judgment would not be material for the Group/Conservatoire.

The Group received notification on 21 January 2021 that the Secretary of State has approved an application for a change of name from Leeds City College FE Corporation to Luminate Education Group FE Corporation, effective from 1 February 2021.

Going Concern

The activities of the Conservatoire together with the factors likely to affect its future development and performance are set out in the Directors' Report and Strategic Report. The financial position of the Conservatoire, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

Going Concern (continued)

The directors have prepared cash flow forecasts for a period of 24 months from the date of approval of these financial statements.

After reviewing these forecasts, the directors are of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, the Conservatoire will have sufficient funds, through funding from its immediate parent (Leeds City College) to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The Conservatoire is the wholly owned subsidiary of Leeds City College. As part of the Luminare Education Group, the Conservatoire participates in a group treasury arrangement whereby the working capital fluctuations of the Conservatoire are supported by the group treasury function. The Conservatoire has no other form of borrowing open to it. Thus for the Conservatoire to continue to trade as a going concern the group treasury function needs to provide assurance it can continue to support the working capital requirements of the Conservatoire going forward.

Leeds City College Group continues to support the Conservatoire on an ongoing basis. The entities have a shared purpose, vision and aligned strategic objectives. Leeds City College sees the Conservatoires as an important part of the group through its delivery of HE courses and integral to the ongoing development of group brand. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Due to the seasonal profile of funding within the further and higher education colleges sectors, the group has previously made use of an overdraft to cover working capital requirements for the period of January to May, when the main Higher Education (HE) loan funding is received. The Quarry Hill project and delays selling the Horsforth campus have put considerable additional pressure on working capital as the Local Enterprise Partnership (LEP) grant, which was part funding the project, has now been exhausted. The balance of the project was being funded through capital receipts, cash generation, and loans. Previously an overdraft had also been used to support this. This £8.5m facility expired on 31 July 2020 with credit backed Heads of Terms in place from Santander to replace it with a new long-term financing package. This new package consolidates the existing £20m of long term debt, and adds a further £18.5m to allow for repayment of the £6m revolving credit facility currently held with Santander, £6.5m to replace the bridging loan currently held with WYCA for the Horsforth sale and a further £6m to support the group's working capital.

These refinancing arrangements have been analysed in detail with Santander with regards the associated covenants and tested against the group's forecasted financial performance.

The risk relating to the timing of the sale of the Horsforth campus remains but this has been mitigated as result of the approval in principle of the planning permission for the site at Horsforth and Santander agreeing to cover the bridging loan for a period of up to two years. WYCA have agreed to the relinquishing of restrictions over the sale of any sites apart from Park Lane A block, this was required before the new loan could be approved by Santander.

The group has also committed to purchasing a site at Mabgate for £9.5M in December 2021. This site

Going Concern (continued)

is currently leased under a contract that stipulate the purchase at this date. Additional financing or capital grants will be required to allow this purchase to occur.

Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Conservatoire's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Stakeholder Relationships

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

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

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

Equality and diversity

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

Our Commitment

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

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

Commitments to equality will be applied irrespective of:

- age
- disability
- gender and gender reassignment

Equality and diversity (contd.)

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

These commitments are championed by the Equality, Diversity and Inclusion Committee and actively considered when producing or reviewing the Conservatoire policies and procedures. The Conservatoire's EDI Action Plan incorporates actions to achieve and embed these commitments and explains how the Conservatoire will implement them. EDI reports and actions are published on our website: <https://www.lcm.ac.uk/about-us/corporate/equality-diversity/>

Disability support

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

The team includes Disability Advisers, Study Skills tutors and a Specialist Mentor who offer support to DSA funded students as well as those students studying at the Conservatoire who would benefit from ad-hoc support.

This may take the form of support such as the provision of assistive technologies, specialist equipment, mentoring, and training for academic staff to ensure learning and teaching materials are fully accessible, lecture notes being made available in advance of lectures, extra exam time, audio recording of classes and a lecture capture system, Panopto.

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

Disclosure of information to auditors

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

Approved by order of the Board of Directors on 25 January 2021 and signed on its behalf by



Jenny Hoy
Chair of the Board of Directors
Leeds Conservatoire (formerly Leeds College of Music)
3 Quarry Hill
Leeds
LS2 7PD

The Conservatoire had a successful year to 31 July 2020, and significant progress was made against the strategic plan.

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

Student numbers

In total, 1,297 HE students enrolled at the Conservatoire in 2019/20 (2018/19: 1,190), comprising 1,261 undergraduate students and 36 postgraduate students. (2018/19: 1,158 undergraduate students and 32 postgraduate students).

Curriculum developments

The BA (Hons) in Musical Theatre commenced in September 2019, in bespoke new facilities on Quarry Hill totalling 1,300 square metres. These facilities also house degrees in Acting and Actor Musician which commenced in September 2020, and a suite of performing arts MAs is planned to commence in September 2021 and is undergoing validation with the University of Hull.

The Conservatoire's application for Taught Degree Awarding Powers (TDAP) was paused shortly before the Covid-19 pandemic and the OfS subsequently paused the application process for all providers. TDAP remains a strategic objective as part of the Interim Strategic Plan 2020-22.

Key Performance Indicators

Academic Profile

The percentage of BA (Hons) students graduating in 2020 who achieved a 2.1 or higher was 83.1%, significantly higher than the previous year's figure of 76.1%.

Student Satisfaction

Results from the 2020 National Student Survey, which surveys final year undergraduate students, showed an Overall Satisfaction of 84%, an increase of 4.5 percentage points from the previous year. Agreement rates for each of the 27 questions on the survey show a positive trajectory over the last four years, with the sole exception of the Students' Union question. Results for each of Overall satisfaction, Academic Support, Assessment and Feedback, Learning Opportunities, Organisation & Management, and 'The teaching on my course' are the highest the Conservatoire has ever achieved.

The pandemic is not thought to have had any bearing on the results, as the vast majority of students completed survey before the initial lockdown. The OfS delayed publication of the results to assess any impact the pandemic might have had, but "[they] did not find evidence that the reliability of the statistics had been affected".

Future prospects

Looking ahead the future of the Conservatoire remains positive if challenging. Increased competition within the HE sector means that sustaining and improving market position requires investment in facilities, enhancement to the curriculum and growth into new markets.

A robust market position has been strengthened by formal agreements with the nationally recognised arts and music organisations, increased feeder school and open day activities and the removal of audition fees. These actions, alongside an expanding curriculum and exemplary facilities, has positioned the Conservatoire to be able to grow its market share.

Environmental matters

A key strategic objective for the Conservatoire is to continue to operate sustainably and to have regard for the environment through carbon reduction measures and a range of sustainability initiatives. The Conservatoire is part of the carbon management programme endorsed by the Carbon Trust. The Conservatoire also now shares the same suppliers for energy, waste management and mechanical maintenance within the wider Luminare Education Group. A sustainability group monitors performance against our sustainability strategy. The Conservatoire operates a “zero to landfill” policy. The Conservatoire is also actively pursuing a connection to Leeds new District Heating Network, which will supply the Conservatoire with heating and hot water.

People and Resources

The staff headcount of the Conservatoire as an average for the year was 372, and the full time equivalent was 173. 61% of post holders were male and 39% female. There is one Senior Post Holder, the Principal & Managing Director, who is the Accountable Officer and is male. The Conservatoire’s staff are a significant resource with many having national and international profiles in their field.

Tangible resources include The Conservatoire’s main building, with specialist facilities including recording studios, performance and rehearsal spaces, musical instruments and equipment. The other parts of the estate include a bespoke music library building, which opened in 2017, and the specialist performing arts teaching spaces, which opened in 2019.

Brand

Consistent and focused marketing and communications activity has supported the Conservatoire’s growth in reputation locally, nationally and internationally. An ambitious student recruitment target for 2019/20 was missed by only six students; the recruitment target for the new BA (Hons) Musical Theatre programme was met and applications for Performing Arts courses were very high. Staff recruitment to the new performing arts programmes was also very successful, attracting a range of high profile staff.

The introduction of a broader curriculum in recent years – including Music Business, Musical Theatre, Acting and Actor Musician - necessitated an assessment of the name *Leeds College of Music*, and a change of name was endorsed through extensive stakeholder consultation. Proposed names were judged on appropriateness, appeal and distinctiveness, and the name Leeds Conservatoire was introduced in August 2020

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998 requires companies, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the accounting year ended 31 July 2020 the Conservatoire paid 95% (prior year 95%) of its invoices within 30 days. No interest charges were incurred in respect of late payment for this period.

Trade Union facility

As part of the Trade Union Act 2016, we are required to publish information on trade union facility time. This information is for 1st April 2019 to 31st March 2020. Four employees with a full time equivalent employee number of 3.00 spent between 1 and 50% of their time providing this facility. The cost of providing this facility was £2,129, representing 0.03% of the total pay bill for the Conservatoire during this period. The time spent on paid trade union activities as a percentage of total paid facility time was 0%.

Principal Risks and Uncertainties

The Conservatoire has identified a number of key strategic risks that affect the whole institution and manages these in accordance with the Luminate Education Group Risk Management Policy. The Principal has responsibility for the strategic risk register, overseen by the Audit committee and the Board of Directors. The Audit Committee use risk reports on a regular basis and link them to the work of both internal and external auditors to enable them to comment upon the adequacy of the process. The Luminate Education Group's internal auditors use the risks to inform their prospective work plan so that the plan is focused upon the key risks facing the Conservatoire.

The uncertain political climate around the future of government policy on post-18 education was further exacerbated by Covid-19, with delays in the planned Spending Review and further consideration of the Augar Review. While current scenario and contingency planning is dominated by recovery from the pandemic, the Conservatoire remains alert to developments in government policy and its potential impact on future HE tuition fees. The 'value' of creative arts education in terms of graduate outcomes and earnings is still under discussion as part of a number of consultations on Office for Students regulation, and potential impacts on our future planning are captured in the strategic risk register.

We have identified the principal risks below.

- *Lack of estates capacity limits our student recruitment and course delivery.* We aim to offer students an exceptional learning experience in exemplary facilities, and growing student numbers continue to exert pressure on the space available. Our Estates Strategy runs to 2022, and a review of increased teaching accommodation needs for performing arts growth has commenced. The transfer of our Estates function to a shared service within the Luminate Education Group in 2021 will increase our capacity for sharing facilities and space management.

Principal Risks and Uncertainties (continued)

- *Failure to maintain our market position against competitors.* Our market position is strong, but our competitors' own strategies may lessen our ability to operate sustainably. We have several strategies in place to secure our provision, including applying for Taught Degree Awarding Powers which will enable us to review and expand our curriculum more quickly in response to changing market conditions. We are building feeder school relationships, increasing open day activity (online as well as in person) and improving our digital presence to reflect our expanding curriculum. We have also removed audition fees, to make sure that applicants from all backgrounds can access our provision without being deterred on cost grounds.
- *Financial sustainability.* We have invested significantly in our facilities in recent years, to protect our market share and improve the student experience. We need to maintain the financial flexibility to accommodate further annual capital investment. With the support of the Luminate Education Group we have implemented a more detailed and rigorous approach to business planning, financial forecasting and scenario planning, and we are reviewing our five year financial forecast with the aim of increased cash retention. We are also implementing shared services for our HR, IT and Estates functions, with consideration of further shared services to control costs in the medium to long term.

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

Approved by order of the Board of Directors on 25 January 2021 and signed on its behalf by:



Jenny Hoy
Chair of the Board of Directors
Leeds Conservatoire (formerly Leeds College of Music)
3 Quarry Hill
Leeds
LS2 7PD

The following statement is based on Office for Students (OfS) guidelines and reflects the conservatoire’s regard for the Higher Education Code of Governance (‘the Code’) published by the Committee of University Chairs (CUC). The conservatoire conducts its business in accordance with accepted standards of behaviour in public life (the ‘Nolan Principles’) which embrace selflessness, integrity, objectivity, accountability, openness, honesty and leadership. Each year board members sign a register of interests and routinely declare any interests in relation to any matters under discussion at meetings.

This statement is provided to enable readers of the annual report and financial statements of the conservatoire to obtain a better understanding of its governance and legal structure. It covers the period from 1 August 2019 to 31 July 2020 and up to the date of the approval of the annual report and financial statements.

The conservatoire is committed to exhibiting best practise in all aspects of corporate governance and, in the opinion of the Board of Directors, it complied with the provisions of the Code throughout the period ended 31 July 2020. A full review of compliance against the Code was carried out in 2018 and, at its meeting held in October 2020, the Board adopted the updated Higher Education Code of Governance (‘the updated Code’) published by the CUC in September 2020 with plans in place to carry out a review of compliance against the updated Code early in 2021.

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

The Board of Directors

The following persons served on the Board of Directors during the year and up to the date of signature of this report. They served as Directors for the purposes of the Companies Act 2006 and as Trustees for the purposes of the Charities Act 2011.

| Name and status | Date of most recent Appointment | Term of Office | Date of Resignation | Attendance at board meetings during 2019/20 |
|---|--|-----------------------|----------------------------|--|
| Hollie Arnold – President of The Leeds Conservatoire Students’ Union | 1 st July 2019 | Ex officio | N/A | 4 out of 6 |
| Colin Booth OBE (Luminate Education Group CEO) | 1 st Oct 2015 | Ex officio | N/A | 6 out of 6 |
| Gerry Godley - Leeds Conservatoire Principal & MD | 22 nd Sept 2014 | Ex officio | 30th Sept 2020 | 5 out of 5 |

LEEDS CONSERVATOIRE LIMITED
 FINANCIAL STATEMENTS
 For the year ended 31 July 2020
 STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

| Name and status | Date of most recent Appointment | Term of Office | Date of Resignation | Attendance at board meetings during 2019/20 |
|--|--|-----------------------|----------------------------|--|
| Elise Brown – External Member | 1 st Sept 2019 | 4 years | N/A | 5 out of 6 |
| Aaron Casserly-Stewart – External Member | 1 st Sept 2019 | 4 years | N/A | 5 out of 6 |
| Cherry Fricker – External Member | 8 th June 2019 | 4 years | N/A | 6 out of 6 |
| Prof Paul Hollins – External Member | 1 st Sept 2019 | 4 years | N/A | 6 out of 6 |
| Jenny Hoy (Chair wef 22 Jan 2021) – External Member | 1 st Sept 2019 | 4 years | N/A | 5 out of 6 |
| Carolyn Lord – External Member | 1 st Dec 2019 | 4 years | N/A | 4 out of 4 |
| Dr Shaid Mahmood (Chair to 22 Jan 2021) – External Member | 1 st August 2019 | 4 years | N/A | 6 out of 6 |
| Claire Marsh – Staff Member | 11 th Oct 2018 | 4 years | N/A | 6 out of 6 |
| Dr Claire Mera-Nelson – Co-opted Member | 21 st Nov 2019 | 4 years | 4 th Jan 2021 | 5 out of 6 |
| Chris Monks – External Member | 1 st Sept 2019 | 4 years | N/A | 6 out of 6 |
| Benjamin Saunders – External Member | 24 th Sept 2017 | 4 years | N/A | 5 out of 6 |
| Dr Amanda Wilcox – External Member | 1 st Dec 2019 | 4 years | N/A | 3 out of 4 |
| Prof Joe Wilson – Leeds Conservatoire Principal & MD | 1 st Oct 2020 | Ex officio | N/A | N/A |

Appointments to the Board of Directors

The Board, through a Governance & Nominations Committee, ensures that there is an appropriate balance of skills and experience among its members. The board's constitution includes the Principal, the President of the Students' Union and an elected staff member. The remaining members are external and independent to the conservatoire. Board members are not remunerated for the work they do in this capacity. Members of the Board are appointed for a term of office not exceeding four years.

In accordance with the Companies Act 2006, Directors have a statutory duty to promote the success of the organisation for the benefit of its members. The Board usually holds four formal business meetings each year. In addition, it holds an annual away day to provide an opportunity to consider matters of strategic importance in greater depth and the Board retains the discretion to hold extraordinary meetings should the need arise.

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

Leeds College of Music
3 Quarry Hill
Leeds
LS2 7PD

The Board has a strong and independent non-executive element and no individual or group dominates its decision making process. The Principal has a general responsibility to the Board for the organisation, direction and management of the institution. There is a clear division of responsibility in that the roles of the Chair and Principal are separate. Under the Terms and Conditions of Funding and ongoing registration with the OfS the Principal is the Accountable Officer of the institution. In that capacity the Principal (and the Chair of the Board) can be summoned to appear before the Public Accounts Committee of the House of Commons. This responsibility extends to assuring the quality and accuracy of conservatoire data provided to OfS, the Higher Education Statistics Agency (HESA) and other public bodies.

Leeds Conservatoire Audit Committee

The Audit Committee comprises of three members of the Board and one co-opted 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 usually meets four times per year and provides a forum for reporting by the conservatoire's internal, regularity and financial statements auditors, who have access to the committee for independent discussion, without the presence of management.

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

Leeds Conservatoire Audit Committee (continued)

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.

Group Governance & Nominations Committee

This group committee advises on the appointment / reappointment, training and ongoing development of Board and Committee members and keeps under review the systems, policies and procedures supporting the governance process. This includes responsibility for oversight of reviews of Board effectiveness; the last full review of Leeds Conservatoire Board effectiveness took place in 2018 with a follow up review planned for 2021 based on the updated Code of Governance.

Group Remuneration Committee

The committee advises on the remuneration, conditions of service and any severance arrangements for the Principal. In carrying out its responsibilities the committee is mindful of the requirements of the OfS. The committee also has regard to the Higher Education Senior Staff Remuneration Code published by the CUC. The Principal does not serve as a member of the Remuneration Committee. The committee operates in accordance with a clear policy framework which was last updated in 2019.

Scope of responsibility

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

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

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 Conservatoire's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Conservatoire for the period ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Internal Control (continued)

Capacity to handle risk

The Board has reviewed the key risks to which the Conservatoire 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 Conservatoire's significant risks that has been in place for the period ending 31 July 2020 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board.

The risk and control framework

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

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

The Conservatoire has an internal audit service which operates in accordance with the requirements of the Office for Students' Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the Conservatoire is exposed and annual internal audit plans are based on this analysis.

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

Review of effectiveness

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

The Executive Leadership Team (ELT) receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within departments and reinforced by risk awareness training. The Board's agenda includes a regular item for consideration of risk and control and receives reports thereon from senior management. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

Going Concern

After making appropriate enquiries, the Board considers that the Conservatoire has adequate resources to continue in operational existence for the foreseeable future, which includes the support offered by the Leeds City College Corporation (see Note 1 to the Accounts on page 32). For this reason, it continues to adopt the going concern basis in preparing the financial statements whilst also noting the material uncertainty based on the uncertainty as detailed in the Directors' Report.

Approved by order of the Board of Directors on 25 January 2021 and signed on its behalf by:



Jenny Hoy
Chair of the Board of Directors
Leeds Conservatoire
(formerly Leeds College of Music)



Professor Joe Wilson
Interim Principal (Accountable Officer)
Leeds Conservatoire
(formerly Leeds College of Music)

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

We confirm on behalf of the Conservatoire 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 Conservatoire, or material non-compliance with the terms and conditions of funding, under the Conservatoire's grant funding agreements and contracts with the ESFA, or any other public funder.

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

Approved by order of the Board of Directors on 25 January 2021 and signed on its behalf by:



Jenny Hoy
Chair of the Board of Directors
Leeds Conservatoire
(formerly Leeds College of Music)



Professor Joe Wilson
Interim Principal (Accountable Officer)
Leeds Conservatoire
(formerly Leeds College of Music)

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

The Board are also responsible for ensuring that:

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

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

Approved by order of the members of the Board on 25 January 2021 and signed on its behalf by:



Jenny Hoy
Chair of the Board of Directors
Leeds Conservatoire
(formerly Leeds College of Music)

Opinion

We have audited the financial statements of Leeds Conservatoire (“the company”) for the year ended 31 July 2020 which comprise the statement of comprehensive income, statement of changes in reserves, balance sheet, cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 July 2020, and of the company’s income and expenditure, gains and losses and changes in reserves, and of the company’s cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to the going concern disclosure in Note 1 to the financial statements which indicates that the company is dependent upon continuing financial support from its parent undertaking (Leeds City College). Leeds City College has disclosed a material uncertainty relating to going concern as it requires additional funding in order to complete the purchase of a site that it is contractually committed to acquiring. Severe but plausible downside scenarios applied to forecasts as a result of the impact of COVID-19 also result in the possible breach of a covenant attached to existing borrowing. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Board of Directors is responsible for the other information, which comprises the Strategic Review, the Directors Report and the Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Review and the Directors Report and Corporate Governance Statement, which together constitute the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Board of Directors responsibilities

As explained more fully in their statement set out on page 17, the Board of Directors (who are the Directors of the company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the company for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the company has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the company's expenditure on access and participation activities for the financial year disclosed in Note 7a has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the company's grant and fee income, as disclosed in note 3a to the financial statements has been materially misstated.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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



Clare Partridge (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Leeds, LS1 4DA
29 January 2021

LEEDS CONSERVATOIRE LIMITED
 FINANCIAL STATEMENTS
 For the year ended 31 July 2020
 STATEMENT OF COMPREHENSIVE INCOME

| | <i>Notes</i> | 2020 £'000 | 2019 £'000 |
|--|--------------|-----------------------------|----------------|
| Income | | | |
| Tuition fees and education contracts | 2 | 12,136 | 10,987 |
| Other grants and contracts | 3 | 748 | 734 |
| Other income | 4 | 347 | 589 |
| Donations and endowments | 5 | 7 | 6 |
| Total income | | <u>13,238</u> | <u>12,316</u> |
| Expenditure | | | |
| Staff costs | 6 | 9,490 | 8,965 |
| Other operating expenses | 7 | 4,191 | 4,160 |
| Depreciation | 9 | 981 | 955 |
| Interest and other finance costs | 8 | 246 | 197 |
| Total expenditure | | <u>14,908</u> | <u>14,277</u> |
| Deficit before other gains and losses | | (1,670) | (1,961) |
| Loss on disposal of assets | | - | - |
| Deficit before tax | | (1,670) | (1,961) |
| Taxation | | - | - |
| Deficit for the year | | (1,670) | (1,961) |
| Actuarial gain / (loss) in respect of pension schemes | | (8,366) | (2,299) |
| Total Comprehensive (Expenditure) / Income for the year | | <u>(10,036)</u> | <u>(4,260)</u> |
| Represented by: | | | |
| Endowment comprehensive income / (expenditure) for the year | | - | (5) |
| Unrestricted comprehensive (expenditure) / income for the year | | (10,036) | (4,255) |
| | | <u>(10,036)</u> | <u>(4,260)</u> |

All items of income and expenditure relate to continuing operations.

The accompanying notes on pages 33 to 55 form part of these financial statements.

LEEDS CONSERVATOIRE LIMITED
 FINANCIAL STATEMENTS
 For the year ended 31 July 2020
 STATEMENT OF CHANGES IN RESERVES

| | Income & expenditure reserve - unrestricted £'000 | Endowment Reserve - restricted £'000 | Total £'000 |
|---|---|---|------------------------------|
| Balance at 1 August 2018 | 6,304 | 10 | 6,314 |
| Deficit from the income and expenditure account | (1,956) | (5) | (1,961) |
| Other comprehensive expenditure | (2,299) | - | (2,299) |
| Total comprehensive expenditure for the year | <u>(4,255)</u> | <u>(5)</u> | <u>(4,260)</u> |
| Balance at 31 July 2019 | 2,049 | 5 | 2,054 |
| Deficit from the income and expenditure account | (1,670) | - | (1,670) |
| Other comprehensive expenditure | (8,366) | - | (8,366) |
| Total comprehensive expenditure for the year | <u>(10,036)</u> | <u>-</u> | <u>(10,036)</u> |
| Balance at 31 July 2020 | <u><u>(7,987)</u></u> | <u><u>5</u></u> | <u><u>(7,982)</u></u> |
| Deficit for the year comprises: | | | |
| Deficit from the income and expenditure account | (1,670) | | |
| Income from the endowment reserve | - | | |
| Deficit for the year | <u><u>(1,670)</u></u> | | |

The accompanying notes on pages 33 to 55 form part of these financial statements.

LEEDS CONSERVATOIRE LIMITED
 FINANCIAL STATEMENTS
 For the year ended 31 July 2020
 BALANCE SHEET AS AT 31 JULY 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|--|--------|-----------------------|----------------|
| Non-current assets | | | |
| Tangible Fixed assets | 9 | <u>12,621</u> | <u>13,234</u> |
| | | 12,621 | 13,234 |
| Current Assets | | | |
| Stock | | 4 | 5 |
| Trade and other receivables | 10 | 905 | 601 |
| Cash at bank and in hand | | <u>8</u> | <u>9</u> |
| Total current assets | | 917 | 615 |
| Less: Creditors - amounts falling due within one year | 11 | <u>(1,377)</u> | <u>(1,330)</u> |
| Net current (liabilities) / assets | | (460) | (715) |
| Total assets less current liabilities | | <u>12,161</u> | <u>12,519</u> |
| Less: Creditors – amounts falling due after more than one year | 12, 13 | (1,876) | (2,087) |
| Provisions | | | |
| Pension provisions | 14, 16 | <u>(18,267)</u> | <u>(8,378)</u> |
| TOTAL NET (LIABILITIES) / ASSETS | | <u>(7,982)</u> | <u>2,054</u> |
| Restricted reserves | | | |
| Income and Expenditure Reserve - endowment reserve | 15 | 5 | 5 |
| Unrestricted reserves | | | |
| Income and expenditure reserve - unrestricted | | <u>(7,987)</u> | <u>2,049</u> |
| TOTAL RESERVES | | <u>(7,982)</u> | <u>2,054</u> |

The accompanying notes on pages 33 to 55 form part of these financial statements.

The financial statements on pages 29 to 55 were approved and authorised for issue by the Board on 25 January 2021 and were signed on its behalf on that date by:



Jenny Hoy
 Chair of the Board of Directors
 Leeds Conservatoire
 (formerly Leeds College of Music)



Professor Joe Wilson
 Interim Principal (Accountable Officer)
 Leeds Conservatoire
 (formerly Leeds College of Music)

LEEDS CONSERVATOIRE LIMITED
 FINANCIAL STATEMENTS
 For the year ended 31 July 2020
 CASHFLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2020

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Cash flow from operating activities | | |
| Deficit for the year | (1,670) | (1,956) |
| Adjustment for non-cash items | | |
| Depreciation of fixed assets | 981 | 955 |
| (Increase)/decrease in stock | 1 | (2) |
| (Increase)/decrease in debtors | (304) | 448 |
| Increase/ (decrease) in creditors | 3 | 77 |
| Increase/ (decrease) in provision for enhanced pensions | (17) | (17) |
| Pension service cost in excess of employer contributions | 1,540 | 1,271 |
| Interest and other finance costs | (74) | (77) |
| Increase / (decrease) in endowment reserve | - | (5) |
| Loss on disposal of tangible fixed assets | - | - |
| Net cash inflow from operating activities | 460 | 694 |
| Cash flows from investing activities | | |
| Payments made to acquire tangible fixed assets | (368) | (617) |
| | (368) | (617) |
| Cash flows from financing activities | | |
| Interest element of finance lease repayments | 74 | 77 |
| Capital element of finance lease payments | (167) | (157) |
| | (93) | (80) |
| Increase/(decrease) in cash and cash equivalents in the year | (1) | (3) |
| Cash brought forward at beginning of year | 9 | 12 |
| Cash carried forward at end of year | 8 | 9 |

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 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2019 to 2020 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.

Going concern

The activities of the Conservatoire together with the factors likely to affect its future development and performance are set out in the Directors' Report and Strategic Report. The financial position of the Conservatoire, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 24 months from the date of approval of these financial statements. After reviewing these forecasts, the directors are of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, the Conservatoire will have sufficient funds, through funding from its immediate parent (Leeds City College) to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The Conservatoire is the wholly owned subsidiary of Leeds City College. As part of the Luminate Education Group, the Conservatoire participates in a group treasury arrangement whereby the working capital fluctuations of the Conservatoire are supported by the group treasury function. The Conservatoire has no other form of borrowing open to it. Thus for the Conservatoire to continue to trade as a going concern the group treasury function needs to provide assurance it can continue to support the working capital requirements of the Conservatoire going forward.

Leeds City College Group continues to support the Conservatoire on an ongoing basis. The entities have a shared purpose, vision and aligned strategic objectives. Leeds City College sees the Conservatoires as an important part of the group through its delivery of HE courses and integral to the ongoing development of group brand.

1. ACCOUNTING POLICIES (continued)

Going concern (continued)

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Due to the seasonal profile of funding within the further and higher education colleges sectors, the group has previously made use of an overdraft to cover working capital requirements for the period of January to May, when the main Higher Education (HE) loan funding is received. The Quarry Hill project and delays selling the Horsforth campus have put considerable additional pressure on working capital as the Local Enterprise Partnership (LEP) grant, which was part funding the project, has now been exhausted. The balance of the project was being funded through capital receipts, cash generation, and loans. Previously an overdraft had also been used to support this. This £8.5m facility expired in on 31 July 2020 with credit backed Heads of Terms in place from Santander to replace it with a new long-term financing package. This new package consolidates the existing £20m of long term debt, and adds a further £18.5m to allow for repayment of the £6m revolving credit facility currently held with Santander, £6.5m to replace the bridging loan currently held with WYCA for the Horsforth sale and a further £6m to support the group's working capital.

These refinancing arrangements have been analysed in detail with Santander with regards the associated covenants and tested against the group's forecasted financial performance.

The risk relating to the timing of the sale of the Horsforth campus remains but this has been mitigated as result of the approval in principle of the planning permission for the site at Horsforth and Santander agreeing to cover the bridging loan for a period of up to two years. WYCA have agreed to the relinquishing of restrictions over the sale of any sites apart from Park Lane A block, this was required before the new loan could be approved by Santander.

The group has also committed to purchasing a site at Mabgate for £9.5M in December 2021. This site is currently leased under a contract that stipulate the purchase at this date. Additional financing or capital grants will be required to allow this purchase to occur.

Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Conservatoire's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Recognition of income

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

1. ACCOUNTING POLICIES (continued)

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

Grant funding including capital grants

Grant funding including funding council block grant and grants from non-government sources are recognised as income when the Conservatoire 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.

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with Donor imposed restrictions are recognised in income when the Conservatoire 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 Conservatoire is entitled to the funds.

1. ACCOUNTING POLICIES (continued)

Post-retirement benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Conservatoire in such a way that the pension cost is a substantially level percentage of current and future pensionable pay. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 18 the TPS is a multi-employer scheme and the Conservatoire 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 scheme and the contributions recognised as they are paid each year.

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

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

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

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

Short-term Employment benefits

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

1. ACCOUNTING POLICIES (continued)

Enhanced Pensions

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

Critical accounting estimates and assumptions

The Conservatoire has updated its approach to setting RPI and CPI inflation in light of the RPI reform proposals published on the 4th September 2019 by the UK Chancellor and UK Statistics Authority. The Conservatoire has proposed that RPI inflation continues to be set in line with market break even expectations less an inflation risk premium of 0.2%, consistent with the prior year.

For CPI, the Fund Actuary has proposed a long term gap between RPI and CPI of 60 basis points, compared to 100 basis points at the prior year end. Based on the sensitivity information provided by the actuary, we expect the impact of this change in approach to be a £3.5m increase in the DBO as the CPI assumption is now 0.4% higher than it would have been under the previous methodology.

Non-current assets - Tangible fixed assets

Land and buildings

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

Building improvements made are included in the balance sheet at cost. The Conservatoire has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 5 and 30 years. Leasehold land and buildings are depreciated on a straight-line basis over their expected economic life to the Conservatoire of 60 years or, if shorter, the period of the lease. Building improvements made are included in the balance sheet at cost. The Conservatoire has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 5 and 30 years. Leasehold land and buildings are depreciated on a straight-line basis over their expected economic life to the Conservatoire of 60 years or, if shorter, the period of the lease. Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

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

1. ACCOUNTING POLICIES (continued)

Land and buildings (continued)

Subsequent expenditure on existing fixed assets:

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

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

Equipment

Individual items of equipment costing less than £2,000 are written off to the Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost.

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

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

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

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

Stock

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

Cash and cash equivalents

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

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

1. ACCOUNTING POLICIES (continued)

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 conservatoire 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 conservatoire 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 Conservatoire is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and as such is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs. It is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and accordingly is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

Provisions, contingent liabilities and assets

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

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

1. ACCOUNTING POLICIES (continued)

Provisions, contingent liabilities and assets (continued)

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

Key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the *Local Government Pension Scheme* defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 16, will impact the carrying amount of the pension liability.

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

Reserves

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

2. TUITION FEES AND EDUCATION CONTRACTS

| | 2020 £'000 | 2019 £'000 |
|------------------------|---------------|---------------|
| Home and EU students | 11,228 | 10,330 |
| International students | 908 | 657 |
| Total | 12,136 | 10,987 |

3. OTHER GRANTS AND CONTRACT

| | 2020 £'000 | 2019 £'000 |
|------------------------|---------------|---------------|
| Provision of education | 748 | 734 |
| Total | 748 | 734 |

3A. GRANT AND FEE INCOME

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Grant income from the Office for Students | 603 | 573 |
| Fee income for taught awards (exclusive of VAT) | 10,495 | 9,798 |
| Total | 11,098 | 10,371 |

Leeds Conservatoire is an Office for Students (OFS) registered conservatoire that received grant and fee income for courses at Level 4 and above in 2019/20 and 2018/19. During 2019/20, Leeds Conservatoire received grant income of £603k from the Office for Students.

Leeds Conservatoire received fee income for taught awards of £10,495k. There was no income for non-qualifying courses, no grant income from other bodies in year and Leeds Conservatoire do not currently offer research award courses. The income figures in the above table are already included in the overall income figures in the financial statements, see note 2 and 3.

4. OTHER INCOME

| | 2020 | 2019 |
|------------------------------------|--------------|-------------|
| | £'000 | £'000 |
| Catering and residences | 3 | 7 |
| Other income generating activities | 230 | 357 |
| Miscellaneous income | 114 | 225 |
| | <hr/> | <hr/> |
| Total | 347 | 589 |
| | <hr/> <hr/> | <hr/> <hr/> |

5. DONATIONS AND ENDOWMENTS

| | 2020 | 2019 |
|------------------------|--------------|-------------|
| | £'000 | £'000 |
| New endowments | - | (5) |
| Unrestricted donations | 7 | 11 |
| | <hr/> | <hr/> |
| Total | 7 | 6 |
| | <hr/> <hr/> | <hr/> <hr/> |

6. STAFF COSTS

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

| | 2020 | 2019 |
|--|---------------|-------------|
| | Number | Number |
| Teaching | 50 | 64 |
| Teaching support | 10 | 12 |
| Student support | 25 | 30 |
| Management, administration, marketing & IT | 28 | 29 |
| Estates | 23 | 20 |
| Income generation | 15 | 13 |
| | <hr/> | <hr/> |
| Total Staff | 151 | 168 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 2020 | 2019 |
| | £000 | £000 |
| Wages and Salaries | 6,653 | 6,455 |
| Social Security Costs | 554 | 500 |
| Other Pension Costs (<i>see notes 14 and 16</i>) | 2,119 | 1,821 |
| Payroll sub-total | 9,326 | 8,776 |
| Contracted out staffing services | 68 | 121 |
| Restructuring costs – redundancy | 96 | 68 |
| | <hr/> | <hr/> |
| Total | 9,490 | 8,965 |
| | <hr/> <hr/> | <hr/> <hr/> |

Wages and salaries have increased by £298k despite the average number of staff dropping by 17 full time equivalents. This is due to the cost of living increase; increments; hourly rates increasing in the year and more fractional hours being claimed for the same amount of staff. A new Musical Theatre course that started at the beginning of 19-20 increased the fractional hours of staff but not a major increase in employee numbers.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Conservatoire and are represented by the Executive Leadership Team which comprises the Principal & Managing Director, Vice Principal and Director of Curriculum and Chief Operating Officer.

6. STAFF COSTS (continued)

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

| | 2020 | 2019 |
|---|--------------|-------|
| | £'000 | £'000 |
| Salary | 125 | 123 |
| Pension contributions paid by the Conservatoire | 17 | 17 |
| Benefits in Kind – personal pension contributions sacrifice | - | 6 |
| Gross emoluments | 142 | 146 |
| Less: unpaid benefits | - | (6) |
| Total emoluments paid | 142 | 140 |

Mr Godley's salary represents 3.4 (2019 - 3.4) times the median contractual salary paid out and his total remuneration 3.8 (2019 - 4.2) times the median total remuneration paid out to staff during the year

The members of the Board other than the Principal, the staff member and the SU President did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. The total expenses paid to or on behalf of the Board in the year was £1k (2019 - £0k).

7. OTHER OPERATING EXPENSES

| | 2020 | 2019 |
|---|--------------|-------|
| | £'000 | £'000 |
| Teaching Costs | 743 | 834 |
| Non-teaching Costs | 2,143 | 2,124 |
| Premises Costs | 1,305 | 1,202 |
| Total | 4,191 | 4,160 |
| | 2020 | 2019 |
| | £'000 | £'000 |
| Non-teaching costs include: | | |
| Auditors remuneration: | | |
| - Financial Statements audit | 18 | 18 |
| - Internal audit | 5 | 5 |
| Hire of other assets – operating leases | 357 | 248 |

7A. ACCESS AND PARTICIPATION SPENDING

| | 2020 £'000 |
|-------------------------------|-----------------------------|
| Financial support to students | 457 |
| Disability support | 14 |
| Research and evaluation | 14 |
| | <hr/> |
| Total | 485 |
| | <hr/> <hr/> |

Leeds Conservatoire is an Office for Students (OFS) registered conservatoire that received grant and fee income for courses at Level 4 and above in 2019/20 and 2018/19.

Leeds Conservatoire received fee income for taught awards of £10,495k.

There was no income for non-qualifying courses, no grant income from other bodies in year and Leeds Conservatoire do not currently offer research award courses.

The income figures in the above table are already included in the overall income figures in the financial statements, see note 2 and 3.

<https://www.leedsconservatoire.ac.uk/about-us/about-leeds-conservatoire/corporate/policies/>

8. INTEREST AND OTHER FINANCE COSTS

| | 2020 £'000 | 2019 £'000 |
|--|-----------------------------|---------------|
| On finance leases | 74 | 77 |
| Interest on pension liabilities (<i>note 16</i>) | 172 | 120 |
| | <hr/> | <hr/> |
| Total | 246 | 197 |
| | <hr/> <hr/> | <hr/> <hr/> |

9. TANGIBLE FIXED ASSETS

| | Land & Buildings Leasehold £'000 | Equipment £'000 | Assets in course of Construction £'000 | Total £'000 |
|---------------------------------------|---|---------------------|---|----------------------|
| Deemed Cost / Cost | | | | |
| Balance brought forward 1 August 2019 | 15,193 | 3,783 | 2 | 18,978 |
| Additions | - | - | 368 | 368 |
| Transfer | - | 58 | (58) | - |
| At 31 July 2020 | <u>15,193</u> | <u>3,841</u> | <u>312</u> | <u>19,346</u> |
| Accumulated depreciation | | | | |
| Balance brought forward 1 August 2019 | 3,953 | 1,791 | - | 5,744 |
| Charge for the year | 601 | 380 | - | 981 |
| At 31 July 2020 | <u>4,554</u> | <u>2,171</u> | <u>-</u> | <u>6,725</u> |
| Net book value at 31 July 2020 | <u>10,639</u> | <u>1,670</u> | <u>312</u> | <u>12,621</u> |
| Net book value at 31 July 2019 | <u>11,240</u> | <u>1,992</u> | <u>2</u> | <u>13,234</u> |

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

The net book value of tangible fixed assets includes an amount of £3,010k in respect of assets held under finance leases. The depreciation charge on these assets for the year was £92K.

10. TRADE AND OTHER RECEIVABLES

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Amounts falling due within one year | | |
| Trade receivables | 442 | 235 |
| Amounts owed by parent undertaking – Leeds City College | 224 | 39 |
| Prepayments and accrued income | 239 | 327 |
| | <hr/> | <hr/> |
| Total | 905 | 601 |
| | <hr/> <hr/> | <hr/> <hr/> |

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2020 £'000 | 2019 £'000 |
|------------------------------------|---------------|---------------|
| Bank loans and overdrafts | 3 | 71 |
| Obligations under finance leases | 172 | 130 |
| Payments received in advance | 40 | 29 |
| Trade creditors | 208 | 418 |
| Other creditors | 227 | 199 |
| Other taxation and social security | 137 | 148 |
| Accruals and deferred income | 590 | 335 |
| | <hr/> | <hr/> |
| Total | 1,377 | 1,330 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

| | 2020 £'000 | 2019 £'000 |
|----------------------------------|---------------|---------------|
| Obligations under finance leases | 1,876 | 2,087 |
| | <hr/> | <hr/> |
| Total | 1,876 | 2,087 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

13. MATURITY OF DEBT

Finance leases

The net finance lease obligations to which the Conservatoire is committed are:

| | 2020 | 2019 |
|----------------------------|--------------|-------|
| | £'000 | £'000 |
| In one year or less | 172 | 130 |
| Between two and five years | 738 | 555 |
| In five years or more | 1,138 | 1,531 |
| Total | 2,048 | 2,216 |

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

14. PROVISIONS FOR LIABILITIES AND CHARGES

| | Defined benefit obligations | Enhanced pensions | Total |
|--|------------------------------------|--------------------------|---------------|
| | £'000 | £'000 | £'000 |
| Balance brought forward at 1 August 2019 | 8,213 | 165 | 8,378 |
| Expenditure in the year | 9,906 | (17) | 9,889 |
| Additions in the year | - | - | - |
| At 31st July 2020 | 18,119 | 148 | 18,267 |

Defined benefit obligations relate to the liabilities under the Conservatoire's membership of the Local Government Pension Scheme. Further details are given in Note 16.

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

| | 2020 | 2019 |
|----------------|-------------|----------|
| | % | % |
| Interest rate | 1.3 | 2.0 |
| Inflation rate | 2.2 | 2.2 |

15. ENDOWMENT RESERVES

| | 2020 £'000 | 2019 £'000 |
|--------------------------------------|---------------|---------------|
| Expendable endowments | | |
| Endowment reserves at 1 August 2019 | 5 | 10 |
| New endowment income | - | - |
| Expenditure | - | (5) |
| | <u>5</u> | <u>5</u> |
| At 31 July 2020 | <u>5</u> | <u>5</u> |
| Balance represented by: | | |
| Accumulated income | <u>5</u> | <u>5</u> |
| | <u>5</u> | <u>5</u> |
| At 31 July 2020 | <u>5</u> | <u>5</u> |
| Analysis by type of purpose | | |
| Provision of instruments to students | <u>5</u> | <u>5</u> |
| Analysis by asset | | |
| Current (liabilities)/assets | <u>5</u> | <u>5</u> |

16. DEFINED BENEFIT OBLIGATIONS

The Conservatoire's employees belong to a principal post-employment benefit plan: The West Yorkshire Pension Fund (WYPF), a Local Government Pension Scheme (LGPS) for non-teaching staff. This is a multi-employer defined-benefit plan.

Total pension cost for the year

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| West Yorkshire Pension Fund: | | |
| Contributions paid | 734 | 656 |
| Past service cost | - | - |
| FRS 102 charge | <u>1,368</u> | <u>1,151</u> |
| Charge to the Income and Expenditure account | <u>2,102</u> | 1,807 |
| Enhanced pension charge to Statement of Comprehensive Income | - | - |
| People's Pension | <u>17</u> | <u>14</u> |
| Total pension cost for year within staff costs | <u>2,119</u> | <u>1,821</u> |

16. DEFINED BENEFIT OBLIGATIONS (continued)

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

West Yorkshire Pension Fund (WYPF)

LC operates an employee pension benefits scheme through WYPF, which is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the period ended 31 July 2019 was £994K of which employer's contributions totalled £656K and employees' contributions totalled £338K. The agreed contribution rates for future years are 13.4% for employers and range from 5.5% to 12.5% for employees, depending on salary. LC will contribute an additional monetary amount of £22,900 to the scheme in 2019 on the advice of the Actuary to assist in reducing the liability that exists within the fund.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

| | At 31 July 2020 | | At 31 July 2019 | |
|--------------------------------------|----------------------------|------------------------------|-------------------------|------------------------------|
| | WYPF funded benefits | WYPF unfunded benefits | WYPF funded benefits | WYPF unfunded benefits |
| Expected rate of salary increases | 3.55% | n/a | 3.45% | n/a |
| Future pension increases | 2.30% | 2.30% | 2.20% | 2.20% |
| Discount rate for scheme liabilities | 1.40% | 1.40% | 2.20% | 2.10% |
| Inflation assumption (CPI) | 2.30% | 2.30% | 2.20% | 2.20% |

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 2020 | At 31 July 2019 |
|-----------------------------|--------------------|--------------------|
| <i>Retiring today</i> | | |
| Males | 21.8 years | 22.2 years |
| Females | 24.6 years | 25.4 years |
| <i>Retiring in 20 years</i> | | |
| Males | 22.5 years | 23.2 years |
| Females | 25.7 years | 27.2 years |

16. DEFINED BENEFIT OBLIGATIONS (continued)

West Yorkshire Pension Fund (continued)

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

| | Long-term rate of return expected at 31 July 2020 % | Fair value at 31 st July 2020 £'000 | Long-term rate of return expected at 31 July 2019 % | Fair value at 31 st July 2019 £'000 |
|--|--|---|--|---|
| Equities | 77.7% | 11,383 | 78.6% | 11,653 |
| Government Bonds | 10.0% | 1,465 | 9.9% | 1,468 |
| Corporate Bonds | 5.0% | 733 | 3.6% | 534 |
| Property | 4.3% | 630 | 4.3% | 637 |
| Cash | 1.6% | 234 | 2.1% | 311 |
| Other | 1.4% | 205 | 1.5% | 222 |
| Total fair value of fund assets | | 14,650 | | 14,825 |

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

| | 2020 £'000 | 2019 £'000 |
|--|-----------------|----------------|
| Fair value of fund assets | 14,650 | 14,825 |
| Present value of fund liabilities - Funded | (32,762) | (23,030) |
| Present value of fund liabilities - Unfunded | (7) | (7) |
| Net pensions liability (note 14) | (18,119) | (8,212) |

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

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Amounts included in staff costs | | |
| Current service cost | 2,105 | 1,291 |
| Past service cost | - | 585 |
| Total | 2,105 | 1,876 |

16. DEFINED BENEFIT OBLIGATIONS (continued)

West Yorkshire Pension Fund (continued)

Amounts included in Interest and other finance costs

| | 2020 | 2019 |
|---------------------------------|--------------|------------|
| | £'000 | £'000 |
| Interest on pension liabilities | <u>172</u> | <u>120</u> |
| Net interest cost | <u>172</u> | <u>120</u> |

Amount recognised in Other Comprehensive Income

| | | |
|---|-----------------------|----------------|
| Return / (deficit) on pension fund assets | (1,361) | 708 |
| Experience gains / (losses) on scheme liabilities | (7,006) | (3,006) |
| | <u>(8,367)</u> | <u>(2,298)</u> |

Movement in net defined benefit liability during the year

| | 2020 | 2019 |
|---|------------------------|----------------|
| | £'000 | £'000 |
| Net defined benefit liability in the fund at 1 August | (8,212) | (4,643) |
| Movement in period | | |
| - Employer service cost (net of employee contributions) | (2,105) | (1,291) |
| - Employer contributions | 737 | 725 |
| - Past service cost | - | (585) |
| - Net interest/return on assets | (172) | (120) |
| - Net benefits paid out | - | - |
| - Re-measurement gains on assets | (1,361) | - |
| - Actuarial gain / (loss) | (7,006) | (2,298) |
| Net defined benefit liability in the fund at 31 July | <u>(18,119)</u> | <u>(8,212)</u> |

16. DEFINED BENEFIT OBLIGATIONS (continued)

West Yorkshire Pension Fund (continued)

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Defined benefit obligations at start of year | 23,037 | 17,631 |
| Current service cost | 2,105 | 1,291 |
| Interest cost | 508 | 494 |
| Employee Contributions | 365 | 339 |
| Actuarial (gain) / loss | 7,005 | 3,006 |
| Benefits Paid | (251) | (309) |
| Past service cost | - | 585 |

Defined benefit obligations at end of year

| | |
|---------------|---------------|
| 32,769 | 23,037 |
|---------------|---------------|

Change in fair value of Fund Assets

| | | |
|---|---------------|--------|
| Fair value of fund assets at start of year | 14,825 | 12,988 |
| Expected return on assets | 336 | 374 |
| Actuarial gain/(loss) | (1,361) | 708 |
| Employer Contributions | 737 | 725 |
| Employee Contributions | 365 | 339 |
| Benefits Paid | (252) | (309) |

Fair value of fund assets at end of year

| | |
|---------------|---------------|
| 14,650 | 14,825 |
|---------------|---------------|

17. POST-BALANCE SHEET EVENTS

On the 11th August 2020 Leeds College of Music changed its name to Leeds Conservatoire.

Also on the 11th August 2020, some members of Luminare Education Group were targeted by a cyber-attack, which caused some operational disruption with our networks and IT systems. The Group worked closely with the Education & Skills Funding Agency (ESFA), the National Cyber Security Centre (NCSC) and the Cyber Crime Unit from the National Crime Agency (NCA) to investigate the nature and extent of this cyber-attack. The Information Commissioner's Office has also been notified.

The Group received notification on 21 January 2021 that the Secretary of State has approved an application for a change of name from Leeds City College FE Corporation to Luminare Education Group FE Corporation, effective from 1 February 2021.

18. CAPITAL COMMITMENTS

| | 2020 | 2019 |
|--|--------------|-------|
| | £'000 | £'000 |
| Commitments contracted for as at 31 July | 268 | 118 |

19. FINANCIAL COMMITMENTS

At 31 July 2020 the Conservatoire had total commitments under non-cancellable operating leases as follows:

| | 2020 | 2019 |
|---|--------------|-------|
| | £'000 | £'000 |
| Minimum lease payments due within one year | 192 | 196 |
| Total minimum lease payments due between two and five years | 1,365 | 1,557 |
| Total minimum lease payments due over five years. | 1,073 | 1,139 |
| Total | 2,630 | 2,892 |

20. RELATED PARTY TRANSACTIONS

Owing to the nature of Leeds Conservatoire'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 Conservatoire's financial regulations and normal procurement procedures. Transactions with the educational funding bodies are detailed in notes 3 and 10.

Mr Benjamin Saunders is the Director of Music at Leeds Cathedral. During the year, Leeds Conservatoire paid £12,000 to the Cathedral for placement costs.

Dr Claire Mera-Nelson is employed by the Arts Council of England & Wales. During the year Leeds Conservatoire received a grant of £14,500 towards the costs of commissioning and performance of several pieces of new work from a wide range of international musicians at Sounds Like THIS Festival.

Prof Paul Hollins has a public appointment at Sheffield Hallam University. During the year Leeds Conservatoire received £982 for room hire.

No board member has received any remuneration or waived payments from Leeds Conservatoire during the year other than the Principal & Managing Director whose remuneration is disclosed in Note 6.

Anna Keogh, Director of Student Recruitment & Marketing, is a trustee of Yorkshire Young Musicians. During the year Leeds Conservatoire received £6,129 for Room Hire.

C Lord has a public appointment position with West Yorkshire Combined Authority.

Shaïd Mahmood was appointed as Chair of the Association of Colleges in December 2020.