



**LEEDS COLLEGE OF MUSIC,
A COMPANY LIMITED BY GUARANTEE
(COMPANY NUMBER 7596410)**

**REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2018**

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DIRECTOR'S REPORT

The Directors present their report and the audited financial statements for the year ended 31 July 2018.

Legal status

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

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 College of Music ("LCoM") is an exempt charity under Part 3 of the Charities Act 2011 regulated by the Secretary of State for Business, Education, Innovation and Skills as Principal Regulator for all FE and HE Corporations in England. The members of the Board, who are trustees of the charity, are disclosed on page 16.

In setting and reviewing LCoM'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, LCoM 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.

DIRECTOR'S REPORT (CONT.)

Implementation of strategic plan

The LCoM Strategic Plan 2015 – 2020 splits 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 monitor progress towards these aims regularly through a set of key performance indicators (KPIs). The performance in year compared to prior year can be summarised in the following table:

Strategic aim & category	Indicator	2016-17	2017-18 (& RAG)
1. Offer our students an exceptional learning experience			
Student Satisfaction	National Student Survey	74%	81%
	Short Courses (internal survey)	98%	100%
4. Develop our team to inspire and support our students and each other			
Staff and HR development	Staff turnover	12%	15%
	Staff absenteeism	3%	2%
Governance, leadership and management	Attendance at Board meetings	93%	86%
	Audit recommendations completed	100%	100%
6. Operate sustainably			
Institutional sustainability	Net surplus / deficit before adjustment for FRS102 items	£307K	-£150K
		3%	-1%
	Earnings before interest, tax, depreciation & amortisation & FRS 102 adjustments ("EBITDA")	£1,404K	£905K
		12%	7%
Financial health	Staff cost as % income	58%	61%
	Contribution rates: income derived from non-publicly funded sources	9%	6%
Market position	Home/EU undergraduate application increase (excl top-ups) above UCAS reported UK increase rate	15% above UCAS	8% above UCAS
Property costs	Property costs per student FTE	£1,243	£1,299

The result of the 2018 National Student Survey ("NSS") was extremely encouraging, after a great deal of work and investment in the curriculum. Given the focus from the Office for Students on the student voice, we will strive to maintain and improve on this result in order to ensure our students achieve value for money from their studies.

An ambitious enrolment target was not met, a consequence of ongoing volatility in the market for undergraduate students. Staff throughout the conservatoire worked diligently to address the resulting income shortfall of £1.1m, and impact on the student experience was kept to a minimum, as evidenced by, among others, LCoM's strongest ever set of results in the National Student Survey.

DIRECTOR'S REPORT (CONT.)

A break-even budget was planned, in part to support the introduction of two new courses, and it was subsequently possible, though not preferable, to absorb a small operating deficit. As the new courses mature, with each additional intake they will support greater efficiencies and scalability in the delivery of teaching, adding to a diverse portfolio, which supports new areas of growth and spreads our income risk.

We monitor the amber indicators closely. We report further on other non-financial performance indicators on pages 9 and 10 in the Strategic Report.

Financial objectives

The financial objectives adopted by LCoM 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 to 2020 are that we will achieve earnings before interest, taxation, depreciation and amortisation ("EBITDA") in the region of 8-12%, allowing LCoM 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

LCoM generated a retained deficit of £0.8 million during the year ended 31 July 2018 (in 2017 a deficit of £0.4 million was reported). The deficit for the year was a result of an estimate by external actuaries that pension liabilities cost the College £0.7 million in the year (further discussion of this is set out below). Without incorporating this increased liability charge, operationally LCoM essentially made a deficit of £0.1 million in the year, the deficit arising from lower enrolment than planned coupled with investment in two new courses in the year.

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

LCoM's deficit for the year of £0.8M is after adjusting for the following items below:

- FRS102 pension costs being the difference between the estimated liability charge to LCoM and that paid by LCoM in employer contributions of £0.6M, recorded in staff costs.
- Net interest of £0.1M on LCoM's liabilities within the West Yorkshire Pension Scheme, reported within Interest and other finance costs.

An actuarial loss of £1.2K on the pension scheme meant total Comprehensive income was £2.0M in deficit in the year. Further discussion of the derivation of the pension costs is set out in Note 16 to these accounts.

The introduction of the new funding regime for undergraduates has provided LCoM with the opportunity to pursue growth in its core business through increased student numbers. The key to continuing financial health will be for the business to maintain the current cost profile of its new curriculum whilst maintaining the quality of provision necessary to attract further growth over future years. The financial performance in 2017/18 again demonstrates the move towards the long-term viability of LCoM's business model and the effectiveness of the management processes employed to ensure that it is realised.

DIRECTOR'S REPORT *(CONT.)*

Financial results *(cont.)*

In common with all HE Institutions LCoM's principal source of funding has shifted from grants to fees. The transfer of our FE provision at the end of the financial year to LCC, as their efficiency of scales are better focussed for teaching this style of education, means that HE revenue accounts for an increasing proportion of LCoM's turnover. We continue to seek diversification of income in the future, with our development and enterprise teams making good progress in this area, increasing non-HE income by 72% in the year.

Balance Sheet

LCoM has £6.3 million of net assets (after providing for a £4.8 million defined benefit pension liability and long term debt of £2.3 million).

Treasury policies and objectives

Treasury management is the management of LCoM'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 LCC Group, surplus cash balances are managed as part of a group treasury function. The LCoM Principal does not have any authority to enter into borrowing on behalf of LCoM; however, the Board of Directors may do so in accordance with the LCC Group Financial Regulations.

Liquidity

LCoM's balance sheet reports an inter-company balance with LCC of £0.7 million, representing LCoM's cash reserves. This is sufficient to meet the on-going working capital and investment needs of the operation.

Post-balance sheet events

There are no major balance sheet events to report in the period since 31 July 2018.

Going Concern

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

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 FE institutions
- Trade unions
- Professional bodies
- Government Offices
- Validating Partner (University of Hull)

We recognise the importance of these relationships and engage in regular communication with these stakeholders through our website, our intranet and through meetings, briefings, blogs and other media.

DIRECTOR'S REPORT (CONT.)

Equality and diversity

Leeds College of Music 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 LCoM
- 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
- marriage and civil partnership
- pregnancy and maternity / paternity
- race
- religion or belief
- sex
- sexual orientation

These commitments are evidenced in LCoM policies and procedures and marketing literature. LCoM has a three-year Action Plan, which incorporates recommendations from the Equality Challenge Unit. The EDI Advisory Group also has specific EDI Objectives, which are published and monitored annually in line with legislative requirements. EDI objectives are published on our website: <https://www.lcm.ac.uk/about-us/corporate/equality-diversity/>

In February 2018, the Advisory Group agreed to change its membership from 2018/19 to involve more staff and students, and to appoint a Chair from the wider staff body rather than from senior managers. It will also take on responsibility for monitoring widening participation, including the Access and Participation Plan.

Disability support

LCoM has a well established Disability Support team as part of their Student Services offer to prospective and current students. Prospective students can access LCoM's Admissions Policy on the website and be supported by the Disability Support team through audition or interview if requested.

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 LCoM who would benefit from ad-hoc support. This may take the form of support such as the provision of assistive technologies, specialist equipment, mentoring, 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.

DIRECTOR'S REPORT *(CONT.)*

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 LCoM'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 LCoM's auditor is aware of that information.

Approved by order of the Board of Directors on 27 November 2018 and signed on its behalf by:



Libby Raper
Chair of the Board of Directors
Leeds College of Music
3 Quarry Hill
Leeds
LS2 7PD

STRATEGIC REPORT

LCoM had a successful year to 31 July 2018. A number of capital projects were completed to accommodate increasing numbers of HE students. Significant progress was made against the strategic plan. A key highlight was the achievement of recognition of LCoM as a Higher Education Institution ("HEI") by the Department for Education in July 2018. This will give LCoM greater visibility within the sector, allowing for more direct connection to both present and future students.

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 a slight operating deficit being incurred, these will be learnt from and actions taken forward to continually improve our outcomes.

Student numbers

In total, 1,136 HE students enrolled at LCoM in 2017/18, on a par with prior year, comprising 1,108 undergraduate students and 28 postgraduate students, compared to 1,091 and 41 students respectively last year.

2017/18 was the last year that LCoM delivered activity to FE students. This produced £0.7 million in ESFA funding in year to deliver teaching to 150 students. Although we will continue to provide access to some of our facilities for the FE students that have transferred to our holding company LCC, the space eventually freed up will allow the expansion of our curriculum into new areas of HE.

Curriculum developments

Under our single structure of separate genre pathways and combination routes of performance pathways we introduced new pathways in recent years to complement the core pathways of Classical, Jazz, Pop and Music Production namely BA (Hons) Music Business (2014/15), Film Music (2016/17), Songwriting and Folk (2017/18). These new courses are a unique offering in a conservatoire setting. In September 2016, we introduced a Foundation Year to the three-year undergraduate mode of study for both UK and International students.

The Foundation Degree in Electronic Music Production commenced in September 2018. BA (Hons) in Musical Theatre was validated in 2016-17 and will start in September 2019. We plan for two further performance degrees in Acting and Actor Musician to start in September 2020.

With this growth in the number of courses, we have restructured the delivery of undergraduate courses into two new Schools. The School of Pop & Production comprises the BA (Hons) degrees of Pop, Music Production, Film and Music Business with foundation degrees in Music Production and Electronic Music Production). The School of Performance comprises the BA Hons in Classical, Jazz, Folk and Musical Theatre plus the Foundation Year.

Our Masters level qualification was also launched in 2016/17, MMus Creative Musician, a qualification designed to capitalise on the growth in the market we have seen for Masters level students who focus on cross disciplinary and cross genre practice.

Future prospects

Looking ahead the future of LCoM remains positive if challenging. Increased competition within the HE sector means that LCoM's current position can be sustained and improved by continued investment in facilities and enhancements to the curriculum to attract the most appropriate students. We will continue to develop our international markets and exploit any opportunities that may arise from the Brexit vote.

STRATEGIC REPORT *(CONT.)*

Environmental matters

A key strategic objective for LCoM is to continue to operate sustainably and to have regard for the environment through carbon reduction measures and a range of sustainability initiatives. LCoM is part of the carbon management programme endorsed by the Carbon Trust. LCoM also now shares the same suppliers for energy, waste management and mechanical maintenance within the wider LCC Group. A sustainability group monitors performance against our sustainability strategy. LCoM operates a “zero to landfill” policy.

During 2017-18 LED lighting installations were installed in the new Library, Venue extension and refurbishment of the fifth floor of the main campus. The aim of installing LED lighting in all rooms of the conservatoire was completed at the academic year, two years ahead of the planned completion date. Electricity consumption has fallen by 8% in the current year. All corridor lighting installations include PIR sensors automatically turn lights off after a few minutes if nobody is present in a corridor. Push taps were installed in all toilets as a water energy saving measure and to reduce the risk of flooding.

LCoM is also actively pursuing a connection to Leeds new District Heating Network. This will supply the conservatoire with heating and hot water from June 2019.

People and Resources

LCoM has various resources that it can deploy in pursuit of its strategic objectives. The staff headcount of the college as an average for the year was 377, comprising 147 female and 230 male staff. Expressed as full time equivalents, LCoM employed 173 people of whom 58 are teaching staff. There is one Senior Post Holder, the Principal & Managing Director, who is male. LCoM’s staff are a significant resource with many having national and international profiles in their field.

Tangible resources include LCoM’s main building, facilities including recording studios and performance spaces, and musical instruments and equipment. During 2017-18 with the landlord we built new catering and corporate facilities attached to our main performance venue. This will assist in diversification of our income as well as providing improved facilities to our visitors. We also opened a new Postgraduate Study centre and re-vamped some of our rehearsal and meeting spaces on the top floor of our main building in a £0.4 million project.

Brand

LCoM has a good reputation locally and nationally. Maintaining a quality brand is essential for LCoM’s success at attracting students and external relationships. A recent brand audit undertaken by an external consultancy led to a re-fresh of the brand, which will allow increased engagement with staff, students, the local community and wider stakeholders. The introduction of the new brand and website continued to work hard in a declining marketplace. Applications were 5% higher against a national decline of 3%.

Key Performance Indicators

Academic Profile

The percentage of BA students graduating in 2018 who achieved a 2.1 or higher was 74%, against a prior year figure of 71%. We can also report a slight improvement in the outturn for the percentage of graduates in employment or further study. The year-end position was 92% of graduates (1% up on prior year). The conservatoire continues to work hard to maintain and improve on this in the future.

STRATEGIC REPORT *(CONT.)*

Key Performance Indicators *(cont.)*

Student Satisfaction

Results from the 2018 National Student Survey, which surveys graduating students, gave an overall satisfaction percentage of 81%, which saw a marked improvement of 7% from the previous survey. To address issues and ensure continuous improvements by the conservatoire across its HE delivery we maintain Detailed Action Plans.

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 2018 LCoM paid 98% (prior year 97%) of its invoices within 30 days. The College incurred no interest charges 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 2017 to 31st March 2018. Four employees with a full time equivalent employee number of 2.76 spent between 1 and 50% of their time providing this facility. The cost of providing this facility was £1,120, representing 0.01% of the total pay bill for LCoM 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

Based on its strategic aims, LCoM identified a number of key strategic risks that affect the whole conservatoire. These Principal & Managing Director and the Board review these risks managed by the Executive Leadership Team (ELT). The whole process is overseen by the LCC Group Audit Committee who use the reports on risk on a regular basis and link them to the work of both internal and external auditors to enable them to comment upon the adequacy or otherwise of the process. The LCC Group's internal auditors use the risks to inform their prospective work plan so that the entire plan is focused upon the key risks facing LCoM.

We have identified the principal risks below.

- LCoM aims to offer our students an exceptional learning experience in exemplary facilities and technology. We are conscious that growing student numbers could increase pressure on the space available and as part of our five year estates strategy to 2022 we are opening a new development at Quarry Hill in September 2019 and have completed the construction of a new library. In addition, transferring FE courses to LCC in 2018 will enable additional space be available for our HE students.
- Student satisfaction is a good measure of whether we are delivering an exceptional learning experience, but poor response rates from the National Student Survey may lead to an ineffective reflection of the experience we are delivering which in turn may jeopardise our ability to set our own fees. We have thus introduced a new Student Survey policy to inform effective action planning to improve response rates for all our surveys and the interpretation of the data gathered, with a new process of closing the student feedback loop.

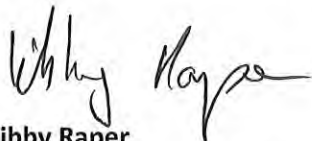
STRATEGIC REPORT (CONT.)

Principal Risks and Uncertainties (cont.)

- We have a development plan that seeks to ensure we manage the risks around delivering an exceptional learning experience through the gathering of relevant data. We aim to improve retention of students year on year, but are also working on identifying more relevant attendance and engagement metrics used in performance reviews to give in year warnings of drifts away from target performance.
- We aim to maintain a strong market position to ensure we operate sustainably, but are aware that our competitor's own strategies may lessen our ability to do this. To maintain our share of the market we are working closely with feeder schools including fellow group companies. We have also increased our open day activity, improved our digital presence, and introduced a new foundation degree in Electronic Music Production and developing our curriculum to encompass performing arts. We have strengthened our internal procedures to monitor more closely data emerging from the application cycle, with offers being made earlier in the cycle to prospective students. We continue to generate additional commercial activity.
- Offering an exceptional learning experience requires significant investment, as does the provision of exceptional facilities, so to operate sustainably and so to operate sustainably and with limited borrowing we have to manage these risks with a view to the maintenance of financial flexibility to accommodate the necessary investment to protect our market share and improve the student experience. We have set financial targets to enable critical investment in these areas, phasing our capital expenditure in the current year to target those critical areas, whilst being mindful of the constraints of the Group.

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 27 November 2018 and signed on its behalf by:



Libby Raper
Chair of the Board of Directors
Leeds College of Music
3 Quarry Hill
Leeds
LS2 7PD

PROFESSIONAL ADVISORS

External Auditors

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

Internal Auditors

RSM
2 Wellington Place
Leeds
LS1 4AP

Bankers

Lloyds Bank PLC
2nd Floor,
Lisbon House,
116 Wellington Street,
Leeds,
LS1 4LT

Solicitors

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Key management personnel

Key management personnel are defined as members of the Executive Leadership Team and were represented by the following in 2017/18:

Gerry Godley	Principal & Managing Director
Professor Joe Wilson	Vice-Principal & Director of Curriculum
David Warren	Chief Operating Officer

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and financial statements of LCoM to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2017 to 31 July 2018 and up to the date of the approval of the annual report and financial statements.

LCoM endeavours to conduct its business:

- i) in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leaderships; and
- ii) having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further and higher education sectors.

LCoM is committed to exhibiting best practise in all aspects of corporate governance and those aspects of the UK Corporate Governance Code we consider to be relevant to the further and higher education sector and best practise.

In the opinion of the Board of Directors LCoM complies with all the provisions of the Code in so far as they apply, and it has complied throughout the period ended 31 July 2018. The Board recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

LCoM is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Board, 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 members who served on the Board of Directors during the year and up to the date of signature of this report were as follows:

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONT.)

The Board of Directors (cont.)

Name and status	Date of first Appointment	Term of Office	Date of Resignation / re-appointment	Attendance in year – Maximum of 5
Libby Raper (Chair) – External Member	1 st January 2014	4 years	Re-appointed for a 2 nd term on 1 st January 2018	5
Colin Booth (LCC Group CEO & Principal)	1 st October 2015	Ex officio	N/A	5
Cherry Fricker – External Member	8 th June 2011	4 years	Re-appointed for a 2 nd term on 8 June 2015	5
Gerry Godley - LCoM Principal & MD	22 nd September 2014	Ex officio	N/A	5
Dr Claire Mera-Nelson – Co-opted Member	1 st November 2015	4 years	N/A	2
Neal Parker – External Member	1 st January 2014	4 years	Re-appointed for a 2 nd term with effect from 1 January 2018	4
Benjamin Saunders – External Member	24 th September 2013	4 years	Re-appointed for a 2 nd term with effect from 24 September 2017	5
Hamish Wilkinson – President of LCoM Students’ Union	11 th October 2018	Ex-- Officio	N/A	N/A
Claire Marsh –Staff elected director	11 th October 2018	4 years	N/A	N/A

Appointments to the Board

Any new appointments to the Board are a matter for the consideration of the Board as a whole via a Governance and Nominations Committee, which is responsible for the selection and nomination of any new member for the Board’s consideration. The Board is responsible for ensuring that appropriate training is provided as required. Members of the Board are appointed for a term of office not exceeding four years. The provisions of the Composition of the Board allow for the co-opting of two directors to the Board.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL *(CONT.)*

Appointments to the Board *(cont.)*

In accordance with section 172(1) of the Companies Act 2006, Directors have a statutory duty to promote the success of LCoM for the benefit of its members. The Board is provided with regular and timely information on the overall financial performance of LCoM together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board meets every two months, on average. Formal agendas, papers and reports are supplied to Directors in a timely manner, prior to Board meetings. Briefings are also provided on an ad hoc basis.

The Board has a strong and independent non-executive element and no individual or group dominates its decision making process. The Board considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chair and Principal & Managing Director are separate. 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

Internal Control

Scope of responsibility

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

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

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 LCoM's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Leeds College of Music for the period ended 31 July 2018 and up to the date of approval of the annual report and accounts.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONT.)

Capacity to handle risk

The Board has reviewed the key risks to which LCoM 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 LCoM's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and 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.

LCoM is included in the annual internal audit plan of the LCC Group, which operates in accordance with the requirements of the Education and Skills Funding Agency's Joint Audit Code of Practice. The work of the Group's internal audit service is informed by an analysis of the risks to which LCoM is exposed and annual internal audit plans are based on this analysis. Ms Fricker, as well as being a Board member also chairs the LCC Group Audit Committee, reporting to the LCoM Board on the work of the Internal Auditors.

Review of effectiveness

The Principal & Managing Director 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 LCoM who have responsibility for the development and maintenance of the internal control framework; and
- Comments made by LCoM'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 & Managing Director, the Board is of the opinion that LCoM 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*".

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL *(CONT.)*

Going Concern

After making appropriate enquiries, the Board considers that LCoM has adequate resources to continue in operational existence for the foreseeable future, which includes the support offered by the LCC Group (see Note 1 to the Accounts on page 28). For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the Board of Directors on 27 November 2018 and signed on its behalf by:



Libby Raper
Chair of the Board of Directors
Leeds College of Music



Gerry Godley
Principal and Managing Director
Leeds College of Music

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE BOARD

The members of the Board of Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Board to prepare financial statements for each financial year. Under that law it has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Within the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency ("ESFA") and the Board of Governors at LCC, the Board, through its Principal and Managing Director, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the College Accounts Direction 2017 to 2018 issued jointly by the ESFA, and which give a true and fair view of the state of affairs of LCoM and the result for that year.

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 the profit or loss of the company for that period. In preparing these financial statements, the Board is 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 also required to prepare a Strategic Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

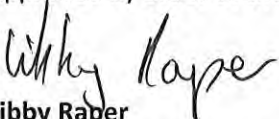
The Board is responsible for keeping adequate accounting records that are sufficient to show and explain LCoM's transactions and disclose with reasonable accuracy at any time the financial position of LCoM and enable them to ensure that the financial statements comply with the Companies Act 2006. It has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of LCoM and to prevent and detect fraud and other irregularities.

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

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE BOARD *(CONTINUED)*

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

Approved by order of the members of the Board on 27 November 2018 and signed on its behalf by:


Libby Raper
Chair of the Board of Directors
Leeds College of Music

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEEDS COLLEGE OF MUSIC

Opinion

We have audited the financial statements of Leeds College of Music ("the company") for the year ended 31st July 2018 which comprise the, the Statement of Comprehensive Income, the Statement of Changes in Reserves, and the Statement of cash flows, 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 31st July 2018, and of the company's income and expenditure, gains and losses and changes in reserves, and of the 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 *2015 Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of the Accounts Direction dated 19 June 2018 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.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Board of Directors is responsible for the other information, which comprises the Director's Report, Strategic Report and the Statement of Corporate Governance and Internal Control. 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 Director's Report, Strategic Report and the Statement of Corporate Governance and Internal Control for the financial year, are consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEEDS COLLEGE OF MUSIC *(CONTINUED)*

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.

Directors' responsibilities

As explained more fully in their statement set out on page 20, 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 under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

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 and Research England have been applied in accordance with the terms and conditions attached to them; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEEDS COLLEGE OF MUSIC *(CONTINUED)*

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company members, 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 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 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
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

30 November 2018

STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	2018 £'000	2017 £'000
Income			
Tuition fees and education contracts	2	10,473	10,112
Other grants and contracts	3	1,385	1,464
Other income	4	668	388
Donations and endowments	5	28	16
Total income		<u>12,554</u>	<u>11,980</u>
Expenditure			
Staff costs	6	8,090	7,455
Other operating expenses	7	4,177	3,758
Depreciation	9	987	949
Interest and other finance costs	8	128	224
Total expenditure		<u>13,382</u>	<u>12,386</u>
Deficit before other gains and losses		(828)	(406)
Loss on disposal of assets		(3)	-
Deficit before tax		(831)	(406)
Taxation		-	-
Deficit for the year		(831)	(406)
Actuarial gain / (loss) in respect of pension schemes		(1,191)	1,775
Total Comprehensive (Expenditure) / Income for the year		<u>(2,022)</u>	<u>1,369</u>
Represented by:			
Endowment comprehensive income / (expenditure) for the year		2	(3)
Unrestricted comprehensive (expenditure) / income for the year		(2,024)	1,372
		<u>(2,022)</u>	<u>1,369</u>

All items of income and expenditure relate to continuing operations.

STATEMENT OF CHANGES IN RESERVES

	Income & expenditure reserve - unrestricted £'000	Endowment Reserve - restricted £'000	Total £'000
Balance at 1 August 2016	6,956	11	6,967
Deficit from the income and expenditure account	(403)	(3)	(406)
Other comprehensive income	1,775	-	1,775
Balance at 31 July 2017	<u>8,328</u>	<u>8</u>	<u>8,336</u>
Deficit from the income and expenditure account	(833)	2	(831)
Other comprehensive expenditure	(1,191)	-	(1,191)
Total comprehensive expenditure for the year	<u>(2,024)</u>	<u>2</u>	<u>(2,022)</u>
Balance at 31 July 2018	<u><u>6,304</u></u>	<u><u>10</u></u>	<u><u>6,314</u></u>
Deficit for the year comprises:			
Deficit from the income and expenditure account	(833)		
Income from the endowment reserve	2		
Deficit for the year	<u><u>(831)</u></u>		


BALANCE SHEET AS AT 31 JULY 2018

	<i>Notes</i>	2018 £'000	2017 £'000
Non-current assets			
Tangible Fixed assets	9	<u>13,572</u>	<u>13,193</u>
		13,572	13,193
Current Assets			
Stock		3	4
Trade and other receivables	10	1,049	1,731
Cash at bank and in hand		<u>12</u>	<u>10</u>
Total current assets		1,064	1,745
Less: Creditors - amounts falling due within one year	11	<u>(1,244)</u>	<u>(1,221)</u>
Net current (liabilities) / assets		(180)	524
Total assets less current liabilities		<u>13,392</u>	<u>13,717</u>
Less: Creditors – amounts falling due after more than one year	12, 13	(2,253)	(2,414)
Provisions			
Pension provisions	14, 16	<u>(4,825)</u>	<u>(2,967)</u>
TOTAL NET ASSETS		<u>6,314</u>	<u>8,336</u>
Restricted reserves			
Income and Expenditure Reserve - endowment reserve	15	10	8
Unrestricted reserves			
Income and expenditure reserve - unrestricted		<u>6,304</u>	<u>8,328</u>
TOTAL RESERVES		<u>6,314</u>	<u>8,336</u>

The financial statements on pages 25 to 48 were approved and authorised for issue by the Board on 27 November 2018 and were signed on its behalf on that date by:



Libby Raper
 Chair of the Board of Directors
 Leeds College of Music



Gerry Godley
 Principal and Managing Director
 Leeds College of Music

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST JULY 2018

	2018	2017
	£'000	£'000
Cash flow from operating activities		
Deficit for the year	(831)	(406)
Adjustment for non-cash items		
Depreciation of fixed assets	987	949
Decrease in stock	1	-
Increase in debtors	(19)	(70)
(Increase) / decrease in creditors	(24)	176
New deposits – working capital from Leeds City College	661	413
Decrease / (increase) in provision for enhanced pensions	18	(9)
Pension service cost in excess of employer contributions	622	568
Interest and other finance costs	128	224
Increase / (decrease) in endowment reserve	3	(3)
Loss on disposal of tangible fixed assets	3	-
Net cash inflow from operating activities	1,549	1,842
Cash flows from investing activities		
Payments made to acquire tangible fixed assets	(1,369)	(1,653)
	(1,369)	(1,653)
Cash flows from financing activities		
Interest element of finance lease repayments	(65)	(137)
Capital element of finance lease payments	(113)	(66)
	(178)	(203)
Increase in cash and cash equivalents in the year	2	(14)
Cash brought forward at beginning of year	10	24
Cash carried forward at end of year	12	10

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with:

- the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the "2015 FE HE SORP");
- 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.

The financial statements are prepared in accordance with the historical cost convention modified by the recording of fixed assets at deemed cost as allowed under FRS 102.

Going concern

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

LCoM has current finance lease borrowing and has demonstrated its future resourcing plans through the preparation of the five year financial forecasts which have been considered by the Board.

LCoM is dependent upon the working capital facilities provided by its parent, Leeds City College ("LCC"), primarily to cover the operating period between receipts of its UK based students' tuition fees from the Student Loans Company. As a result LCC's activities, together with the factors likely to affect its future development, performance and position have been considered by the Board when considering the adoption of the going concern principle.

LCC's underlying financial performance continues to be strong. Detailed cashflows are prepared and reviewed on a monthly basis and forecasts are considered robust.

LCC has a robust two-year financial plan prepared for and approved by its Governors in July 2018 for submission to the Education & Skills Funding Agency. In the year to 31 July 2018 LCC generated positive cashflows of £2.7m following surpluses before tax, depreciation and amortisation (excluding capital grants and FRS102 pension adjustments) of £7.7m. As the LCC Group grows continued investment in property and equipment is required to maintain appropriate facilities for increasing numbers of students. To this end LCC is due to open its £60m Quarry Hill development in September 2019.

NOTES TO THE ACCOUNTS (CONTINUED)

1. ACCOUNTING POLICIES (CONT.)

Going concern (cont.)

This development is being funded through £33.4m in grant funding from the Leeds Local Enterprise Partnership and £26.6m in asset sales and cash reserves. LCC had previously agreed a sale on its Horsforth campus which was to complete in 2017 and generate cash towards this project. Unfortunately, this sale did not proceed and the site was remarketed in January 2018 and a sale has once again been agreed. LCC has sought additional facilities as detailed below to bridge the working capital requirement until completion of the transaction.

Following successful discussions with LCC's bankers Santander, and with the Leeds Local Enterprise Partnership LCC has secured bridging facilities totalling £16.5m to accommodate the timing difference between the realisation of sale proceeds from its' Technology building and the Horsforth campus. LCC anticipates drawing £10.85m of these facilities before 31 December 2018 and the balance in early 2019. Utilising these facilities the college has sufficient financial resources to meet its day-to-day working capital requirements, and is expected to continue to generate positive cash flows for the foreseeable future.

LCC will manage its cashflows for capital expenditure using these facilities alongside an existing £6m revolving credit facility (held with Santander) during the building programme to manage working capital requirements. Repayment of bridging facilities will occur at the point of sale completion on both campuses and the revolving credit facility is expected to be settled in the summer of 2020.

LCC continues to be in discussion with the Education and Skills Funding Agency regarding the cashflow position and Santander who have continued to support LCC. Should the college be in a position whereby the assets sales appear to be at risk mitigating action to control expenditure alongside refinancing discussions with lenders would be implemented immediately.

LCC currently has £28.8m of term loans outstanding (in addition to the bridging and revolving credit facilities detailed above) with Santander on terms negotiated in 2012. The terms of the agreement are to repay the loan over a 25 year period ending in 2037. LCC has a firm grip on expenditure allowing sufficient headroom in forecasts and financial projections (which include LCoM's own projections and cashflow) to indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

LCC have provided a letter of reassurance to the Board to confirm that the support of LCoM's working capital requirements will be maintained for the foreseeable future.

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

Recognition of income

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. Education activity delivered by LCoM forms part of the total LCC Group funding allocation received from funding bodies. LCC transfers the appropriate funding achieved to LCoM under an agreement between them. This income is included in note 3 under provision of education.

NOTES TO THE ACCOUNTS (CONTINUED)

1. ACCOUNTING POLICIES (CONT.)

Recognition of income (cont.)

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 LCoM 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 LCoM 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 LCoM is entitled to the funds.

Post-retirement benefits

Retirement benefits to employees of LCoM 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 LCoM.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable 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 College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution 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 College 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.

NOTES TO THE ACCOUNTS (CONTINUED)

1. ACCOUNTING POLICIES (CONT.)

Post-retirement benefits (cont.)

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

Enhanced Pensions

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

Non-current assets - Tangible fixed assets

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 College 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 College 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.

NOTES TO THE ACCOUNTS (CONTINUED)

1. ACCOUNTING POLICIES (CONT.)

Land and buildings (cont.)

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 is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

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

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

Leased assets

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

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

Stock

Stock is held at the lower of cost and net realisable value.

Taxation

LCoM 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.

LCoM receives no similar exemption in respect of value added tax. For this reason the College 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.

NOTES TO THE ACCOUNTS (CONTINUED)

1. ACCOUNTING POLICIES (CONT.)

Provisions, contingent liabilities and assets

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

A contingent liability arises from a past event that gives the College 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 College. 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.

A contingent asset arises where an event has taken place that gives the College 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 College.

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

Agency Arrangements

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 21, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

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

NOTES TO THE ACCOUNTS (CONTINUED)

1. ACCOUNTING POLICIES (CONT.)

Judgements in applying accounting policies and key sources of estimation uncertainty (cont.)

Other key sources of estimation uncertainty (cont.)

- *West Yorkshire Pension Fund*

The present value of the *West Yorkshire Pension Fund* 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 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Reserves

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

2. TUITION FEES AND EDUCATION CONTRACTS

	2018 £'000	2017 £'000
Home and EU students	9,782	9,496
International students	691	616
Total	10,473	10,112

3. OTHER GRANTS AND CONTRACTS

	2018 £'000	2017 £'000
Provision of education	1,257	1,414
Capital grants	128	50
Total	1,385	1,464

NOTES TO THE ACCOUNTS (CONTINUED)

4. OTHER INCOME

	2018 £'000	2017 £'000
Other Income	668	388
Total	668	388

5. DONATIONS AND ENDOWMENTS

	2018 £'000	2017 £'000
New endowments	14	7
Unrestricted donations	14	9
Total	28	16

6. STAFF COSTS

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

	2018 Number	2017 Number
Teaching	62	51
Teaching support	14	15
Student support	31	31
Management, administration, marketing & IT	34	38
Estates	22	21
Income generation	11	7
Total Staff	174	163

	£000	£000
Wages and Salaries	6,096	5,652
Social Security Costs	559	504
Other Pension Costs (<i>see notes 14 and 16</i>)	1,306	1,158
Payroll sub-total	7,961	7,314
Contracted out staffing services	111	110
Restructuring costs – redundancy	18	31
Total	8,090	7,455

NOTES TO THE ACCOUNTS (CONTINUED)

6. STAFF COSTS (CONT.)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Leadership Team which comprises the Principal & Managing Director, Director of Curriculum and Director of Operational Services.

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

	2018	2017
	£'000	£'000
Salary	121	120
Pension contributions paid by LCoM	16	14
Benefits in Kind – personal pension contributions sacrifice	6	5
Gross emoluments	143	139
Less: unpaid benefits	(6)	(5)
Total emoluments paid	137	134

Mr Godley's salary represents 4.9 times the median contractual salary paid out and his total remuneration 5.1 times the median total remuneration paid out to staff during the year

The members of the Board other than the Principal 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 £Nil (2017 - £281).

7. OTHER OPERATING EXPENSES

	2018	2017
	£'000	£'000
Teaching Costs	710	778
Non-teaching Costs	2,730	2,266
Premises Costs	737	714
Total	4,177	3,758
	2018	2017
	£'000	£'000
Non-teaching costs include		
Auditors remuneration:		
- Financial Statements audit	17	15
- Internal audit	6	5
Loss on disposal of tangible fixed assets	3	-
Hire of other assets – operating leases	232	217

NOTES TO THE ACCOUNTS (CONTINUED)

8. INTEREST AND OTHER FINANCE COSTS

	2018 £'000	2017 £'000
On finance leases	65	138
Interest on pension liabilities (<i>note 16</i>)	<u>63</u>	<u>86</u>
On finance leases	<u>128</u>	<u>224</u>

7. TANGIBLE FIXED ASSETS

	Land & Buildings		
	Leasehold £'000	Equipment £'000	Total £'000
Deemed Cost / Cost			
Balance brought forward 1 August 2017	14,401	2,745	17,146
Additions	820	549	1,369
Disposals	<u>-</u>	<u>(34)</u>	<u>(34)</u>
At 31 July 2018	<u>15,221</u>	<u>3,260</u>	<u>18,481</u>
Accumulated depreciation			
Balance brought forward 1 August 2017	2,723	1,230	3,953
Charge for the year	522	465	987
Elimination in respect of disposals	<u>-</u>	<u>(31)</u>	<u>(31)</u>
At 31 July 2018	<u>3,245</u>	<u>1,664</u>	<u>4,909</u>
Net book value at 31 July 2018	<u>11,976</u>	<u>1,596</u>	<u>13,572</u>
Net book value at 31 July 2017	<u>11,678</u>	<u>1,515</u>	<u>13,193</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 £3,188K in respect of assets held under finance leases. The depreciation charge on these assets for the year was £86K.

NOTES TO THE ACCOUNTS (CONTINUED)

8. TRADE AND OTHER RECEIVABLES

	2018	2017
	£'000	£'000
Amounts falling due within one year		
Trade receivables	114	87
Amounts owed by parent undertaking – Leeds City College	671	1,332
Prepayments and accrued income	264	312
	<u>1,049</u>	<u>1,731</u>
Total	1,049	1,731

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£'000	£'000
Obligations under finance leases	120	72
Payments received in advance	125	38
Trade creditors	156	232
Other creditors	236	426
Other taxation and social security	157	127
Accruals and deferred income	450	326
	<u>1,244</u>	<u>1,221</u>
Total	1,244	1,221

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

	2018	2017
	£'000	£'000
Obligations under finance leases	2,253	2,414
	<u>2,253</u>	<u>2,414</u>
Total	2,253	2,414

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

NOTES TO THE ACCOUNTS (CONTINUED)

11. MATURITY OF DEBT

Finance leases

The net finance lease obligations to which LCoM is committed are:

	2018	2017
	£'000	£'000
In one year or less	120	72
Between two and five years	515	347
In five years or more	1,738	2,067
Total	2,373	2,486

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

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
Balance brought forward at 1 August 2017	2,767	200	2,967
Expenditure in the year	-	(18)	(18)
Additions in the year	1,876	-	1,876
At 31st July 2018	4,643	182	4,825

Defined benefit obligations relate to the liabilities under the College'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 College's employment and commitments for reorganisation cost from which the College cannot reasonably withdraw at the balance sheet date. The principal assumptions for this calculation are:

	2018	2017
	%	%
Price inflation	2.3	2.3
Discount rate	1.3	1.3

NOTES TO THE ACCOUNTS (CONTINUED)

13. ENDOWMENT RESERVES

	2018 £'000	2017 £'000
Expendable endowments		
Endowment reserves at 1 August	8	11
New endowment income	13	7
Expenditure	<u>(11)</u>	<u>(10)</u>
At 31 July	<u>10</u>	<u>8</u>
Balance represented by:		
Accumulated income	<u>10</u>	<u>8</u>
At 31 July	<u>10</u>	<u>8</u>
Analysis by type of purpose		
Provision of instruments to students	<u>10</u>	<u>8</u>
Analysis by asset		
Current assets	<u>10</u>	<u>8</u>

14. DEFINED BENEFIT OBLIGATIONS

LCoM's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales ("TPS") for academic and related staff; and the West Yorkshire Pension Fund ("WYPF"), a Local Government Pension Scheme (LGPS) for non-teaching staff. Both are multi-employer defined-benefit plans.

Total pension cost for the year

	2018 £'000	2017 £'000
Teachers' Pension Scheme: contributions paid	18	6
West Yorkshire Pension Fund:		
Contributions paid	666	557
Past service cost	-	18
FRS 102 (28) charge	<u>622</u>	<u>568</u>
Charge to the Income and Expenditure account	1,288	1,143
Enhanced pension charge to Statement of Comprehensive Income	<u>-</u>	<u>9</u>
Total pension cost for year within staff costs	<u>1,306</u>	<u>1,158</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the WYPF 31 March 2016.

NOTES TO THE ACCOUNTS (CONTINUED)

16. DEFINED BENEFIT OBLIGATIONS (CONT.)

Teachers' pension scheme

Introduction

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

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

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

Scheme Changes

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

NOTES TO THE ACCOUNTS (CONTINUED)

16. DEFINED BENEFIT OBLIGATIONS (CONT.)

Teachers' pension scheme (cont.)

Scheme Changes (cont.)

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

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

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

The pension costs paid to TPS in the year amounted to £18K (2016: £6K).

Financial Reporting Standard ("FRS") 102 (28)

Under the definitions set out in FRS 102 (28), the TPS is a multi-employer pension scheme. LCoM is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, LCoM has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the deficit in the scheme and the implications for the College in terms of anticipated contribution rates. Contributions amounting to £nil were payable to the scheme at the end of the financial period.

West Yorkshire Pension Fund ("WYPF")

LCoM 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 2018 was £995K of which employer's contributions totalled £666K and employees' contributions totalled £329K. 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. LCoM will contribute an additional monetary amount of £22,200 to the scheme in 2018 on the advice of the Actuary to assist in reducing the liability that exists within the fund.

NOTES TO THE ACCOUNTS (CONTINUED)

16. DEFINED BENEFIT OBLIGATIONS (CONT.)

West Yorkshire Pension Fund (cont.)

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 2018		At 31 July 2017	
	WYPF funded benefits	WYPF unfunded benefits	WYPF funded benefits	WYPF unfunded benefits
Expected rate of salary increases	3.35%	n/a	1.00%	n/a
Future pension increases	2.10%	2.10%	2.00%	2.00%
Pension accounts revaluation rate	2.10%	n/a	2.00%	n/a
Discount rate for scheme liabilities	2.80%	2.80%	2.60%	2.60%
Inflation assumption (CPI)	2.10%	2.10%	2.00%	2.00%
Inflation assumption (RPI)	3.20%	3.20%	3.10%	3.10%

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 2018	At 31 July 2017
<i>Retiring today</i>		
Males	22.1 years	22.1 years
Females	25.3 years	25.2 years
<i>Retiring in 20 years</i>		
Males	23.1 years	23.0 years
Females	27.1 years	27.0 years

LCoM'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 2018	Fair value at 31 st July 2018	Long-term rate of return expected at 31 July 2017	Fair value at 31 st July 2017
	%	£'000	%	£'000
Equities	74.6%	9,689	76.9	8,647
Government Bonds	10.8%	1,403	9.7	1,091
Corporate Bonds	3.5%	455	3.9	439
Property	4.2%	545	4.4	495
Cash	2.2%	286	1.7	191
Other	4.7%	610	3.4	381
Total fair value of fund assets		12,988		11,244

NOTES TO THE ACCOUNTS (CONTINUED)

16. DEFINED BENEFIT OBLIGATIONS (CONT.)

West Yorkshire Pension Fund (cont.)

Principal Actuarial Assumptions (cont.)

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

	2018	2017
	£'000	£'000
Fair value of fund assets	12,988	11,244
Present value of fund liabilities - Funded	(17,624)	(14,003)
Present value of fund liabilities - Unfunded	(7)	(8)
Net pensions liability (note 14)	<u>(4,643)</u>	<u>(2,767)</u>

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

	2018	2017
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,288	1,125
Past service cost	-	18
Total	<u>1,288</u>	<u>1,143</u>

Amounts included in Interest and other finance costs

	2018	2017
	£'000	£'000
Interest on pension liabilities	<u>63</u>	<u>86</u>
Net interest cost	<u>63</u>	<u>86</u>

Amount recognised in Other Comprehensive Income

Return on pension fund assets	627	832
Experience gains / (losses) on scheme liabilities	<u>(1,818)</u>	<u>952</u>
	<u>(1,191)</u>	<u>1,784</u>

NOTES TO THE ACCOUNTS (CONTINUED)

16. DEFINED BENEFIT OBLIGATIONS (CONT.)

West Yorkshire Pension Fund (cont.)

History of experience gains and losses

	Year to 31 July				
	2018	2017	2016	2015	2014
Difference between actual and expected return on scheme assets:					
Amount (£'000)	627	832	657	897	272
% of assets at end of year	5%	7%	7%	11%	4%
Experience (gains) / losses on scheme liabilities:					
Amount (£'000)	1,818	(952)	1,279	1,156	369
% of liabilities at end of year	10%	(7)%	9%	11%	4%

Movement in net defined benefit liability during the year

	2018 £'000	2017 £'000
Net defined benefit liability in the fund at 1 August	(2,767)	(3,879)
Movement in period		
- Employer service cost (net of employee contributions)	(1,288)	(1,125)
- Employer contributions	666	557
- Past service cost	-	(18)
- Net interest/return on assets	(63)	(86)
- Net benefits paid out	-	-
- Actuarial gain / (loss)	(1,191)	1,784
Net defined benefit liability in the fund at 31 July	(4,643)	(2,767)

NOTES TO THE ACCOUNTS (CONTINUED)

16. DEFINED BENEFIT OBLIGATIONS (CONT.)

West Yorkshire Pension Fund (cont.)

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2018	2017
	£'000	£'000
Defined benefit obligations at start of year	14,011	13,584
Current service cost	1,288	1,125
Interest cost	366	325
Employee Contributions	329	376
Actuarial (gain) / loss	1,818	(952)
Benefits Paid	(181)	(465)
Past service cost	-	18
	<u>17,631</u>	<u>14,011</u>

Change in fair value of Fund Assets

Fair value of fund assets at start of year	11,244	9,705
Expected return on assets	303	239
Actuarial gain	627	832
Employer Contributions	666	557
Employee Contributions	329	376
Benefits Paid	(181)	(465)
	<u>12,988</u>	<u>11,244</u>

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

15. POST-BALANCE SHEET EVENTS

In the period since 31 July 2018 no major events have taken place.

NOTES TO THE ACCOUNTS (CONTINUED)

16. CAPITAL COMMITMENTS

	2018	2017
	£'000	£'000
Commitments contracted for as at 31 July	<u>73</u>	<u>723</u>

17. FINANCIAL COMMITMENTS

At 31 July 2018 minimum LCoM had total commitments under non-cancellable operating leases as follows:

	2018	2017
	£'000	£'000
Minimum lease payments due within one year	193	133
Total minimum lease payments due between two and five years	527	304
Total minimum lease payments due over five years.	<u>1,139</u>	<u>1,270</u>
Total	<u>1,858</u>	<u>1,707</u>

18. RELATED PARTY TRANSACTIONS

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

Transactions with the educational funding bodies are detailed in notes 3 and 10.

Mr Benjamin Saunders is the Director of Music at Leeds Cathedral. During the year, LCoM paid £12,000 (2017 - £12,000) to the Cathedral to provide access to the facilities offered by the Cathedral on behalf of some of its Classical pathway students. There were no outstanding amounts at the year-end.

Dr Claire Mera-Nelson is employed by the Arts Council of England & Wales. During the year LCoM received a grant of £13.050 (2017 - £Nil) towards the costs of commissioning and performance of several pieces of new work from a wide range of international musicians at LCoM's Sounds Like THIS Festival in March 2018. There were no outstanding amounts at the year-end.

The directors consider that there are no other disclosures required, LCoM having taken advantage of the exemption not to disclose transactions with members of the group.

No board member has received any remuneration or waived payments from LCoM during the year (2017: £Nil) other than the Principal & Managing Director whose remuneration is disclosed in Note 6.

NOTES TO THE ACCOUNTS (CONTINUED)

19. AMOUNTS DISBURSED AS AGENT

Learner Support Funds

	2018	2017
	£'000	£'000
Funding body grants – hardship support	38	40
Disbursed to students	(20)	(28)
Administration costs	(2)	(2)
	<u>16</u>	<u>10</u>
Balance unspent as at 31 July	16	10

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