

/ REPORT & FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 JULY 2017

LEEDS CITY COLLEGE  
 FINANCIAL STATEMENTS  
 for the year ended 31 July 2017  
 KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL  
 ADVISERS

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**KEY MANAGEMENT PERSONNEL**

Key management personnel are defined as members of the college's executive leadership team and were represented by the following in 2016/17:

Mr Colin Booth OBE	CEO and Principal*
Dr Jane Pither	Deputy Principal, Corporate Services (left 31/08/2017)*
Ms Lydia Devenny	Deputy Chief Executive – Services
Mr William Jones	Deputy Chief Executive – Curriculum & Quality
Mr Brian Archer	Executive Director, Commercial (left 14/04/17)
Mr Huw Roberts	Director of Organisational Development & Human Resources (left 31/01/17)
Mr Palvinder Singh	Vice Principal – Growth & External Relations (appointed 07/11/16, left 30/10/17)
Ms Gemma Simmons-Blench	Vice Principal – Curriculum (appointed 05/06/17)

\* Senior post holder

**BOARD OF GOVERNORS**

A full list of Governors is given on page 12 of these financial statements. Ms Melanie Halstead acted as Clerk to the Corporation throughout the period.

**PROFESSIONAL ADVISERS**

**FINANCIAL STATEMENTS AND REPORTING  
 ACCOUNTANTS:**

KPMG LLP  
 1 Sovereign Square  
 Sovereign Street  
 Leeds LS1 4DA

**INTERNAL AUDITORS:**

RSM  
 Central Square  
 29 Wellington Street  
 Leeds LS1 4DL

**BANKERS:**

Lloyds Bank  
 6-7 Park Row  
 Leeds  
 LS1 5HD

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

**SOLICITORS:**

Rollits Solicitors  
 Wilberforce Court  
 High Street  
 Hull  
 HU1 1YJ

Eversheds Sutherland  
 Bridgewater Place  
 Water Lane  
 Leeds  
 LS11 5DR

Irwin Mitchell Solicitors  
 2 Wellington Place  
 Leeds  
 LS1 4BZ

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**NATURE, OBJECTIVES AND STRATEGIES:**

The members present their report and the audited financial statements for the year ended 31 July 2017.

**Legal status**

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

**Introduction**

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

- Leeds College of Music Limited, 3 Quarry Hill, Leeds, LS2 7PD, Company Registration Number 07596410
- Leeds Apprenticeship Training Agency Limited, College House, Park Lane, Leeds, LS3 1AA, Company Registration Number 08310738
- White Rose Resourcing Limited, College House, Park Lane, Leeds, LS3 1AA, Company Registration Number 09576925

**Mission & Values**

The mission and values are currently under review as part of the development of the college group structure.

The college's mission is:

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

The college's values are:

- |                       |  |
|-----------------------|--|
| <b>EXCELLENCE</b>     | - Relentless pursuit of excellence in everything we do.  |
| <b>RESPECT</b>        | - Behaving with integrity, fairness and honesty at all times.  |
| <b>AMBITION</b>       | - Forward looking, supporting innovation and creativity, and seeking opportunities to enhance all aspects of the college business. |
| <b>WELCOMING</b>      | - Providing an environment that is safe, healthy and inclusive.  |
| <b>TEAMWORK</b>       | - Working as one college, whilst recognising the different, important contributions we all make.                                   |
| <b>ACCOUNTABILITY</b> | - Taking personal responsibility for finding solutions.  |

**Public Benefit**

Leeds City College is an exempt charity under Part 3 of the Charities Act 2011, and following the Machinery of Government changes in July 2016, is regulated by the Secretary of State for Education. The members of the Board of Governors, who are trustees of the charity, are disclosed on page 12.

In setting and reviewing the college's strategic objectives, the Board of Governors has had due regard for the Charity

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Commission’s guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment records for students
- Strong student support systems
- Links with employers, industry and commerce.
- Links with Local Enterprise Partnerships (LEPs)

**Top strategic priorities**

Our strategic aims were reviewed by the Board and confirmed at its July 2016 meeting. They are as follows:

- Creation of a financial plan that generates between 5% and 12% earnings before interest, tax, depreciation and amortisation (EBITDA) over the next three years;
- Reorganise the college into business units with accurate income and expenditure accounts;
- Creation of a people strategy with a clear focus on leadership development, talent review and succession planning;
- Ensure that performance management is implemented effectively throughout the organisation;
- Developing staff;
- Develop a data dashboard of key quality and financial measures used by both governors and managers;
- Significantly improve the organisation of, and outcomes for English and maths;
- Establish key delivery relationships with stakeholders;

- Create and deliver a clear marketing strategy that includes market insight, gap analysis and analysis of the customer experience;
- Stabilise 16 to 18 student numbers;
- Grow student numbers in Higher Education, Loan funded further education and Apprenticeships.

**Performance indicators**

Headline target	Progress
FE learner number growth and achievement of funding body targets	The total number of learners engaging with the college in 2016 is 27,480 (2015/16: 29,118). Overall student achievement is 85.4% (2015/16: 82.6%)
HE learner numbers and success rates	During 2016/17, the Group had 2,065 learners with student achievement of 83%. Leeds City College had 971 learners with student achievement of 83%, and Leeds College of Music had 1,094 learners with student achievement of 83.8%.

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

**FINANCIAL POSITION**

**Financial results**

The college generated a surplus before other



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gains and losses of £14,882k during the 12 months ending 31 July 2017 (2015/16 deficit of £1,961k), with total comprehensive income of £27,422k (2015/16 (£8,487k)). Total comprehensive income in 2016/17 is stated including income from grants for capital investment of £19,331k.

The college has accumulated reserves of £63,937k and cash balances of £5,069k.

The college places significant reliance on government funding for its principal funding sources, largely from recurrent grants. In 2016/17 the Education & Skills Funding Agency (ESFA) and the Higher Education Funding Council (HEFCE) for England provided 67% of the college's total income, excluding capital grants (2015/16 69%). The reduction in the reliance on government funding over the last three years is as a result of the increase in the value of student loans for Higher Education courses and the introduction of Advanced Learning Loans for students over the age of 19 undertaking a qualification at Level 3 or above.

Tangible fixed asset additions during the year amounted to £22,390k. This was split between land and buildings acquired of £6,240k, equipment purchased of £288k, £1,365k long leasehold and assets in the course of construction of £14,497k. Expenditure was incurred on three major projects:

1. the completion of the large print hall on the college's Printworks campus, which was officially opened on 24 August 2017;
2. the new Skyline library; and
3. the purchase of land and initial works for the new Creative Arts and Health Sciences building at Quarry Hill, due to be opened in September 2019.

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

Leeds College of Music is the only UK conservatoire to offer pathways in Classical, Jazz, Popular Music and Music Production at

both FE and HE levels. White Rose Resourcing Limited acts as an employment agency, sourcing high quality temporary workers for the college. The Leeds Apprenticeship Training Agency Ltd became a wholly owned subsidiary on 26 July 2016, helping employers source, arrange and host their apprenticeships in the Leeds City Region.

### **Treasury policies and objectives**

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

The college has a separate treasury management policy in place.

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

### **Cash flows and liquidity**

The operating cash from the college's activities (including capital grants) resulted in a net outflow of £398k (2015/16: outflow of £4,476k).

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

### **Reserves policy**

The college has no formal Reserves policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the college's core activities. The college holds £8k of restricted reserves. At

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the balance sheet date the Income and Expenditure reserve stands at £59,407k (2015/16: £31,784k). It is the Board's intention to continue to invest surpluses in the property strategy over the life of the strategic plan.

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **Student numbers**

In 2016/17 the college delivered activity that has produced £48 million in funding body allocation (2015/16: £46 million). The college had approximately 19,650 ESFA funded students and 7,830 students funded from other sources.

2,065 students enrolled on Higher Education courses, 325 school pupils aged 14-16 attended Leeds City College for part of the week through our schools links programmes and 3,215 students were enrolled through the Apprenticeship programme.

### **Student satisfaction**

The college takes the views of its students very seriously and is proud of the excellent collaboration with the Student Union. In the end of year survey for 2016/17, 93% of students said that they would recommend the college to others and 95% of students saying they feel safe at college.

### **Curriculum developments**

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

The college is working with a range of employers to ensure courses meet the skills valued and needed by the different sectors as

well as liaising with them on business challenges for students, mentoring roles and work experience opportunities and visits.

### **Payment performance**

The Late Payment of Commercial debts (Interest) Act 1998, which came into effect on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2016 to 31 July 2017, the college paid 92.8% of its invoices within 30 days (2015/16: 95.4%). The college incurred no interest charges in respect of late payment for this period. The college is a signatory to the Prompt Payment Code and complies with the principles of prompt payment and wider payment procedures.

### **Events after the end of the reporting period**

In the period since 31 July 2017 the following major events have taken place:

The college has secured a £6m, 3 year Revolving Credit Facility with Santander to support the Quarry Hill development. As part of this agreement, security over Printworks Campus has been granted.

### **Going concern**

The college's activities, together with the factors likely to affect its future development, performance and position are set out in this review. The college has sufficient financial resources to meet its day-to-day working capital requirements, and is expected to continue to generate positive cash flows for the foreseeable future. The college will manage its cashflows for capital expenditure using short-term financing during the building programme to manage working capital requirements.

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The college has a robust two-year financial plan prepared for and approved by Governors in July 2017 for submission to the Education & Skills Funding Agency.

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

## RESOURCES

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

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

### Financial

The Leeds City College group has £63.9 million of net assets (including £26.2 million pension liability) and long term debt of £25.2 million.

### People

The college employs 1,221 full time equivalents, of whom 460 are teaching staff.

### Reputation

The college has a good reputation locally and nationally.

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

## PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Outlined below is a description of the principal risks identified during 2016/17. Not all the factors were within the control of Leeds City College.

### 1. Funding for property

The college continues to implement its property strategy. The major risk is the availability of grants or loans to develop the estate. In the year to 31<sup>st</sup> July 2017, the college secured a grant of £33.4m from the Local Enterprise Partnership towards Quarry Hill.

The college still faces these key issues:

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

This risk is mitigated in a number of ways:

- The college has continued to invest in facilities prioritising health and safety, safeguarding of students and staff, legislative compliance and projects with a high impact for learners;



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- The development and implementation of a phased property strategy to improve facilities across the whole estate.

## 2. Not achieving financial targets

Income, excluding capital grants grew by £4m in 2016/17 in comparison to 2015/16 and the college continued to focus on growth and quality to improve the overall financial position. The college continued to be financially satisfactory, under the ESFA's funding measures.

Close monitoring of financial and quality targets resulted in substantial improvements in performance and any risk of underperformance was actively managed and remedial action taken where necessary.

## STAKEHOLDER RELATIONSHIPS

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

These include:

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

The college recognises the importance of these relationships and engages in regular communication with these stakeholders through targeted media and channels. The college's corporate reputation is reinforced via employer engagement, networking

events, public-relations activities and media coverage, digital and online promotions, educational literature and other college publications.

## Equality and diversity

Leeds City College is committed to creating and maintaining an inclusive working and learning environment that respects and celebrates difference. We aim to provide a community where everyone feels able to participate fully in college life and achieve their full potential.

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

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

## Disability statement

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

- The college has access co-ordinators to support students with practical access adjustments and provides information, advice and arranges support where necessary for students with disabilities. The college provides Oasis rooms for students with autism spectrum disorders.
- The College has a range of specialist equipment, such as radio aids, which the college can make available for use by students, and a range of assistive technology is available in the learning resource centres.
- The admissions policy for all students is published on the college website. Appeals against a decision not to offer a

place are dealt with under the complaints policy.

- There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Specialist programmes are described in college prospectuses, and achievements and destinations are recorded and published in the standard college format.
- Careers guidance, counselling and welfare services are described on the website and in the college student guide, which is issued to students during induction.

#### **Disclosure of information to auditors**

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

Approved by order of the members of the Corporation on 18 December 2017 and signed on its behalf by:



**Dr Shaid Mahmood**

**Chair of Governors**

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

In the opinion of the Governing Body, the college complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in July 2015.

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

Name	Date of most recent appointment	Term of office	Date of resignation or expiry of term of office	Category of membership	Audit Committee member	Attendance
A Beaumont	31 Dec 16	1 year	Term of office extended to 31 Dec 17	Governor	-	36%
C Booth	28 Sept 15	n/a	-	Chief Exec + Principal	-	100%
E Chapman	1 Aug 16	1 year	31 July 17	Student	-	73%
R Clunas	22 Sept 16	1 year	21 Sept 17	Staff	√	100%
C Fricker	1 April 17	1 year	Term of office extended to 1 April 18	Governor	√ (Chair)	82%
B Hewitt	1 Nov 15	3 years	31 July 17	Governor	-	82%
G Jennings	1 Nov 14	3 years	Term of office extended to 31 October 2018	Governor	-	91%
T Lupton	1 Nov 2017	2 years	-	Staff	-	-
S Mahmood (Chair)	1 April 17	3 years	Term of office extended to 1 April 18	Governor	-	100%
K Morton	1 Sept 17	2 years	-	Governor	-	100%
H Rahem	1 Sept 2017	1 year	-	Student	-	-
L Raper	1 April 17	1 year	Term of office extended to 1 April 18	Governor	-	82%
C Smith	1 Nov 14	3 years	Term of office extended to 31 October 2018	Governor	√	82%
J Toon	1 Sept 17	2 years	-	Governor	√	100%
C Turnbull (Vice Chair)	1 Aug 17	1 year	Term of office extended to 1 Aug 18	Governor	-	100%
D Yates	1 July 17	2 years	-	Governor	-	100%

Melanie Halstead served as Clerk to the Board.

The Board set itself an overall attendance target of 85% for 2016/17. During the year there were 116 individual attendances out of a possible 139, which is 83% overall attendance.

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<b>Board / Committee</b>	<b>Attendance 2016/17</b>
Board	84%
Audit Committee	78%
<b>Overall Attendance</b>	<b>83%</b>

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

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

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

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

Leeds City College  
 University Centre  
 Park Lane  
 Leeds  
 LS3 1AA

The Clerk to the Board maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address. All governors are able to take independent professional advice in furtherance of their

duties at the college's expense and have access to the Clerk to the Board, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Clerk are matters for the Board as a whole.

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

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

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

### **Appointments to the Corporation**

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

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

### **Board performance**

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

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

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sabbatical president as elected by the students on an annual basis).

### **Audit Committee**

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

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

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

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

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

The committee's remit encompasses Leeds College of Music Limited, Leeds Apprenticeship Training Academy Limited and White Rose Resourcing Limited as wholly owned subsidiary companies of Leeds City College.

### **Internal Control**

#### ***Scope of responsibility***

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

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

#### ***The purpose of the system of internal control***

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the college's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Leeds City College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.



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**Capacity to handle risk**

The Board has reviewed the key risks to which the college is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that there is a formal on-going process for identifying, evaluating and managing the college's significant risks that has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board.

**The risk and control framework**

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

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

Leeds City College has an internal audit service which operates in accordance with the requirements of the Education and Skills Funding Agency's *Post-16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the college is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board on the recommendation of the audit committee.

The Audit Committee is required to provide the Governing Body and the Chief Executive, as Accounting Officer, with an opinion on the adequacy and effectiveness of the corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets, and its processes for securing economy, efficiency and effectiveness

**Review of effectiveness**

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

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

The Chief Executive has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the audit committee, which oversees the work of the internal auditors and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The executive leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within departments and reinforced by risk awareness training. The executive leadership team and the audit committee also receive regular reports from internal audit, which include recommendations for improvement. The audit committee's role in this area is confined to a high level review of the arrangements for internal control. The Board's agenda includes a regular item for

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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consideration of risk and control and receives reports thereon from the executive leadership team and the audit committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2017 meeting, the Board carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

### Going Concern

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

Approved by order of the members of the Board on 18 December 2017 and signed on its behalf by:



**Dr Shaid Mahmood**  
Chair  
Leeds City College



**Colin Booth OBE**  
Chief Executive and Principal  
Leeds City College

LEEDS CITY COLLEGE  
FINANCIAL STATEMENTS

for the year ended 31 July 2017

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

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

We confirm, on behalf of the Board, that after due enquiry, and to the best of our

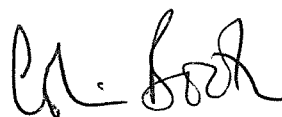
knowledge, we are able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Education & Skills Funding Agency's terms and conditions of funding under the college's financial memorandum.

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

Approved by order of the members of the Board on 18 December 2017 and signed on its behalf by:



**Dr Shaid Mahmood**  
Chair  
Leeds City College



**Colin Booth OBE**  
Chief Executive and Principal  
Leeds City College

LEEDS CITY COLLEGE  
FINANCIAL STATEMENTS  
for the year ended 31 July 2017  
STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the college's Financial Memorandum with the Education & Skills Funding Agency and the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts direction 2016 to 2017* issued by the Education & Skills Funding Agency, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

In preparing the group and parent college financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent College'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 group or the parent college or to cease operations, or have no realistic alternative but to do so.

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

The Corporation is responsible for keeping proper accounting records which disclose

with reasonable accuracy, at any time, the financial position of the parent college, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for 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, and for taking steps that are reasonably open to it in order to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the college website is the responsibility of the Corporation of the college; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Education & Skills Funding Agency are used only in accordance with the Financial Memorandum with the Education & Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation 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 Corporation are responsible for securing economical, efficient and effective management of the group and parent college's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Education & Skills Funding Agency are not put at risk.

LEEDS CITY COLLEGE  
FINANCIAL STATEMENTS  
for the year ended 31 July 2017  
STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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Approved by order of the members of the  
Corporation on 18 December 2017 and  
signed on its behalf by:



**Dr Shaid Mahmood**  
**Chair of Governors**  
**Leeds City College**

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## INDEPENDENT AUDITOR'S REPORT TO CORPORATION OF LEEDS CITY COLLEGE

### Opinion

We have audited the financial statements of Leeds City College ("the College") for the year ended 31 July 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, Group and College Balance Sheets, Consolidated 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 Group's and the College's affairs as at 31 July 2017, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- 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*.

### 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 Corporation is responsible for the other information, which comprises the Report of the Governing Body and the Corporation's 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 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.

### Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2016 to 2017 (March 2017) issued jointly by the Skills Funding Agency and the Education Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.



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### **Corporation's responsibilities**

As explained more fully in their statement set out on page 18, the Corporation 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 group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College 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](http://www.frc.org.uk/auditorsresponsibilities).

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

This report is made solely to the Corporation, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation 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 College and the Corporation for our audit work, for this report, or for the opinions we have formed.



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

20 December 2017

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

In accordance with the terms of our engagement letter dated 12 October 2015 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Leeds City College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Education and Skills Funding Agency has other assurance arrangements in place.

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

### **Respective responsibilities of Leeds City College and the reporting accountant**

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion included:

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

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

## **Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



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

20 December 2017

## Consolidated and College Statements of Comprehensive Income

	Notes	Group 2017 £000	College 2017 £000	Group 2016 £000	College 2016 £000
<b>INCOME</b>					
Funding body grants	2	48,036	46,736	46,867	45,488
Tuition fees and education contracts	3	21,577	11,465	18,978	9,984
Other grants and contracts	4	19,887	19,723	2,530	2,530
Other income		1,511	991	1,402	616
Investment income	5	12	12	45	45
Donations and Endowments		16	-	20	-
<b>Total income</b>		<b><u>91,039</u></b>	<b><u>78,927</u></b>	<b><u>69,842</u></b>	<b><u>58,663</u></b>
<b>EXPENDITURE</b>					
Staff costs	6	46,513	39,089	44,421	37,680
Fundamental restructuring costs	6	984	954	1,402	1,336
Other operating expenses	7	20,863	16,919	19,252	15,528
Exceptional item	7	1,012	1,012	444	444
Depreciation and amortisation	9,11	4,406	3,442	4,530	3,609
Interest and other finance costs	8	<u>2,379</u>	<u>2,155</u>	<u>2,524</u>	<u>2,291</u>
<b>Total expenditure</b>		<b><u>76,157</u></b>	<b><u>63,571</u></b>	<b><u>72,573</u></b>	<b><u>60,888</u></b>
<b>Surplus / (Deficit) before other gains and losses</b>		<b><u>14,882</u></b>	<b><u>15,356</u></b>	<b><u>(2,731)</u></b>	<b><u>(2,225)</u></b>
Profit/(loss) on disposal of assets	9	-	-	770	772
<b>Surplus/ (Deficit) before tax</b>		<b><u>14,882</u></b>	<b><u>15,356</u></b>	<b><u>(1,961)</u></b>	<b><u>(1,453)</u></b>
Taxation		-	-	-	-
<b>Surplus/ (Deficit) for the year</b>		<b><u>14,882</u></b>	<b><u>15,356</u></b>	<b><u>(1,961)</u></b>	<b><u>(1,453)</u></b>
Actuarial gain/ (loss) in respect of pensions schemes	18	<u>12,540</u>	<u>10,765</u>	<u>(6,526)</u>	<u>(5,904)</u>
<b>Total Comprehensive Income for the year</b>		<b><u>27,422</u></b>	<b><u>26,121</u></b>	<b><u>(8,487)</u></b>	<b><u>(7,357)</u></b>
<b>Represented by:</b>					
Restricted comprehensive income		(3)	-	6	-
Unrestricted comprehensive income		<u>27,425</u>	<u>26,121</u>	<u>(8,493)</u>	<u>(7,357)</u>
		<b><u>27,422</u></b>	<b><u>26,121</u></b>	<b><u>(8,487)</u></b>	<b><u>(7,357)</u></b>

The Statement of Comprehensive Income is in respect of continuing activities.

LEEDS CITY COLLEGE  
FINANCIAL STATEMENTS  
for the year ended 31 July 2017

**Consolidated and College Statement of Changes in Reserves**

	Income and expenditure account £000	Revaluation reserve £000	Endowment reserve £000	Total £000
<b>Group</b>				
<b>Restated Balance at 1 August 2015</b>	<b>39,442</b>	<b>5,459</b>	<b>5</b>	<b>44,906</b>
Surplus/(deficit) from the income and expenditure account	(1,961)	-	-	(1,961)
Other comprehensive income	(6,526)	-	-	(6,526)
Increase in endowment reserve	-	-	6	6
Transfers between reserves	<u>829</u>	<u>(829)</u>	<u>-</u>	<u>-</u>
	<u>(7,658)</u>	<u>(829)</u>	<u>6</u>	<u>(8,481)</u>
<b>Balance at 31 July 2016</b>	<b><u>31,784</u></b>	<b><u>4,630</u></b>	<b><u>11</u></b>	<b><u>36,425</u></b>
Surplus/(deficit) from the income and expenditure account	14,882	-	-	14,882
Other comprehensive income	12,540	-	-	12,540
Increase in endowment reserve	3	90	(3)	90
Transfers between reserves	<u>198</u>	<u>(198)</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<b><u>27,623</u></b>	<b><u>(108)</u></b>	<b><u>(3)</u></b>	<b><u>27,512</u></b>
<b>Balance at 31 July 2017</b>	<b><u>59,407</u></b>	<b><u>4,522</u></b>	<b><u>8</u></b>	<b><u>63,937</u></b>
<b>College</b>				
<b>Restated Balance at 1 August 2015</b>	<b>31,298</b>	<b>5,459</b>	<b>-</b>	<b>36,757</b>
Surplus/(deficit) from the income and expenditure account	(1,453)	-	-	(1,453)
Other comprehensive income	(5,904)	-	-	(5,904)
Transfers between reserves	<u>829</u>	<u>(829)</u>	<u>-</u>	<u>-</u>
	<u>(6,528)</u>	<u>(829)</u>	<u>-</u>	<u>(7,357)</u>
<b>Balance at 31 July 2016</b>	<b><u>24,770</u></b>	<b><u>4,630</u></b>	<b><u>-</u></b>	<b><u>29,400</u></b>
Surplus/(deficit) from the income and expenditure account	15,356	-	-	15,356
Other comprehensive income	10,765	-	-	10,765
Increase in endowment reserve	-	90	-	90
Transfers between reserves	<u>198</u>	<u>(198)</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<b><u>26,319</u></b>	<b><u>(108)</u></b>	<b><u>-</u></b>	<b><u>26,211</u></b>
<b>Balance at 31 July 2017</b>	<b><u>51,089</u></b>	<b><u>4,522</u></b>	<b><u>-</u></b>	<b><u>55,611</u></b>

LEEDS CITY COLLEGE  
FINANCIAL STATEMENTS  
for the year ended 31 July 2017

**Balance Sheets as at 31 July**

	Notes	Group 2017 £000	College 2017 £000	Group 2016 £000	College 2016 £000
<b>Non current assets</b>					
Tangible Fixed assets	9	118,091	104,898	102,341	89,852
Investments	10	-	-	-	-
Intangible assets	11	<u>14</u>	<u>14</u>	<u>82</u>	<u>67</u>
		<b><u>118,105</u></b>	<b><u>104,912</u></b>	<b><u>102,423</u></b>	<b><u>89,919</u></b>
<b>Current assets</b>					
Stocks		113	109	24	20
Trade and other receivables	12	3,267	2,837	3,372	2,985
Assets held for resale		1,377	1,377	-	-
Cash and cash equivalents	17	<u>5,069</u>	<u>4,963</u>	<u>5,467</u>	<u>5,295</u>
		<b>9,826</b>	<b>9,286</b>	<b>8,863</b>	<b>8,300</b>
<b>Less: Creditors – amounts falling due within one year</b>	13	<u>(12,294)</u>	<u>(12,268)</u>	<u>(11,890)</u>	<u>(12,431)</u>
<b>Net current assets</b>		<b><u>(2,468)</u></b>	<b><u>(2,982)</u></b>	<b><u>(3,027)</u></b>	<b><u>(4,131)</u></b>
<b>Total assets less current liabilities</b>		<b><u>115,637</u></b>	<b><u>101,930</u></b>	<b><u>99,396</u></b>	<b><u>85,788</u></b>
Creditors – amounts falling due after more than one year	14	(25,225)	(22,811)	(26,765)	(24,279)
<b>Provisions</b>					
Defined benefit obligations	16	(26,201)	(23,234)	(35,593)	(31,496)
Other provisions	16	<u>(274)</u>	<u>(274)</u>	<u>(613)</u>	<u>(613)</u>
<b>Total net assets</b>		<b><u>63,937</u></b>	<b><u>55,611</u></b>	<b><u>36,425</u></b>	<b><u>29,400</u></b>
<b>Restricted reserves</b>					
Endowment reserve		<u>8</u>	<u>-</u>	<u>11</u>	<u>-</u>
<b>Unrestricted reserves</b>					
Income and expenditure account		59,407	51,089	31,784	24,770
Revaluation reserve		<u>4,522</u>	<u>4,522</u>	<u>4,630</u>	<u>4,630</u>
<b>Total unrestricted reserves</b>		<b><u>63,929</u></b>	<b><u>55,611</u></b>	<b><u>36,414</u></b>	<b><u>29,400</u></b>
<b>Total reserves</b>		<b><u>63,937</u></b>	<b><u>55,611</u></b>	<b><u>36,425</u></b>	<b><u>29,400</u></b>

The financial statements on pages 24 to 51 were approved and authorised for issue by the Board on 18 December 2017 and were signed on its behalf on that date by:



**Dr Shaid Mahmood**  
Chair of Governors



**Colin Booth OBE**  
Chief Executive and Principal  
Accounting Officer



## Consolidated Statement of Cash Flows

	Notes	2017 £000	2016 £000
<b>Cash flow from operating activities</b>			
Surplus/(Deficit) for the year		14,882	(1,961)
<b>Adjustment for non-cash items</b>			
Depreciation		4,406	4,530
(Increase)/decrease in stocks		(89)	3
(Increase)/decrease in debtors		105	2,430
Increase/(decrease) in creditors due within one year		398	(6,785)
Increase/(decrease) in provisions		(477)	518
Revaluation movements		6	-
Impairment		1,012	-
Pensions adjustments		3,286	2,058
		<u>23,529</u>	<u>793</u>
<b>Adjustment for investing or financing activities</b>			
Investment income		(12)	(45)
Interest payable		1,540	1,627
Increase in endowment reserve		(3)	6
Grants received		(19,331)	(2,335)
Profit on sale of fixed assets		-	(770)
<b>Net cash flow from operating activities</b>		<u>5,723</u>	<u>(724)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	864
Investment income		12	45
Capital grants received		19,331	2,335
Payments made to acquire fixed assets		(22,390)	(3,838)
		<u>(3,047)</u>	<u>(594)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(1,402)	(1,488)
Interest element of finance lease rental payments		(138)	(139)
Repayments of amounts borrowed		(1,468)	(1,469)
Capital element of finance lease rental payments		(66)	(62)
		<u>(3,074)</u>	<u>(3,158)</u>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<u>(398)</u>	<u>(4,476)</u>
Cash and cash equivalents at beginning of the year	17	5,467	9,943
Cash and cash equivalents at end of the year	17	5,069	5,467

## 1. Accounting policies

### Statement of accounting policies

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

### Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The college is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

### Basis of accounting

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

### Basis of consolidation

The consolidated financial statements include the college and its subsidiaries, Leeds College of Music Limited, White Rose Resourcing Limited and Leeds Apprenticeship Training Agency Limited. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the college does not control those activities. All financial statements are made up to 31 July 2017.

### Going concern

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

The college currently has £24.2m of loans outstanding with bankers on terms negotiated in 2012. The terms of the agreement are to repay the loan over a 25 year period ending in 2037. The college has a firm grip on expenditure allowing sufficient headroom in forecasts and financial projections to indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

### Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year

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end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Grants (including research grants) from non-government sources are recognised in income when the college is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

All capital grants are recognised in income when the college is entitled to the funds subject to any performance related conditions being met, in accordance with the performance model of accounting which is permitted in FRS 102.

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

All income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned.

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

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

#### **Post retirement benefits**

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

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

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

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

#### **Short term employment benefits**

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

#### **Enhanced pensions**

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

#### **Non-Current Assets - Tangible fixed assets**

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

#### **Land and buildings**

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

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

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

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

#### **Assets under construction**

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

#### **Subsequent expenditure on existing fixed assets**

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

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

### ***Equipment***

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

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

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

### ***Borrowing costs***

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

### ***Leased assets***

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

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

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

### ***Intangible assets***

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

### ***Stocks***

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

### ***Cash and cash equivalents***

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

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

### ***Financial liabilities and equity***

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

All loans, investments and short term deposits held by the college are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the college has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted

### **Foreign currency translation**

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

### **Taxation**

The college is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the college is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

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

### **Provisions**

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

### **Agency Arrangements**

The college acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Statement of Comprehensive Income of the college where the college is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

### **Judgements in applying accounting policies and key sources of estimation uncertainty**

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

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

### **Other key sources of estimation uncertainty**

- *Tangible fixed assets*

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



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- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 18, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

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**2. Funding Body Grants**

	<b>Group 2017 £000</b>	<b>College 2017 £000</b>	<b>Group 2016 £000</b>	<b>College 2016 £000</b>
Funding body recurrent grants	47,904	46,604	46,034	44,655
Specific grants	132	132	533	533
Releases of government capital grants	<u>—</u>	<u>—</u>	<u>300</u>	<u>300</u>
<b>Total</b>	<b><u>48,036</u></b>	<b><u>46,736</u></b>	<b><u>46,867</u></b>	<b><u>45,488</u></b>

**3. Tuition fees and education contracts**

	<b>Group 2017 £000</b>	<b>College 2017 £000</b>	<b>Group 2016 £000</b>	<b>College 2016 £000</b>
Tuition fees	19,764	9,652	17,163	8,169
Education contracts	<u>1,813</u>	<u>1,813</u>	<u>1,815</u>	<u>1,815</u>
<b>Total</b>	<b><u>21,577</u></b>	<b><u>11,465</u></b>	<b><u>18,978</u></b>	<b><u>9,984</u></b>

**4. Research grants and contracts**

	<b>Group 2017 £000</b>	<b>College 2017 £000</b>	<b>Group 2016 £000</b>	<b>College 2016 £000</b>
European Commission	350	350	376	376
Other grants and contracts	<u>19,537</u>	<u>19,373</u>	<u>2,154</u>	<u>2,154</u>
<b>Total</b>	<b><u>19,887</u></b>	<b><u>19,723</u></b>	<b><u>2,530</u></b>	<b><u>2,530</u></b>

**5. Investment income**

	<b>Group 2017 £000</b>	<b>College 2017 £000</b>	<b>Group 2016 £000</b>	<b>College 2016 £000</b>
Other interest receivable	<u>12</u>	<u>12</u>	<u>45</u>	<u>45</u>
<b>Total</b>	<b><u>12</u></b>	<b><u>12</u></b>	<b><u>45</u></b>	<b><u>45</u></b>

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**6. Staff costs**

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

	<b>Group 2017 Number</b>	<b>College 2017 Number</b>	<b>Group 2016 Number</b>	<b>College 2016 Number</b>
Teaching staff	715	649	679	616
Non teaching staff	<u>492</u>	<u>395</u>	<u>513</u>	<u>420</u>
	<b><u>1,207</u></b>	<b><u>1,044</u></b>	<b><u>1,192</u></b>	<b><u>1,036</u></b>

	<b>Group 2017 £000</b>	<b>College 2017 £000</b>	<b>Group 2016 £000</b>	<b>College 2016 £000</b>
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**Staff costs for the above persons:**

Wages and salaries	34,957	29,305	34,353	29,018
Social security costs	2,983	2,479	2,548	2,162
Other pension costs (including FRS102 adjustments of £1,317k (2015/16: £914k))	<u>6,837</u>	<u>5,679</u>	<u>5,489</u>	<u>4,662</u>
<b>Payroll sub total</b>	<b>44,777</b>	<b>37,463</b>	<b>42,390</b>	<b>35,842</b>
Contracted out staffing services	<u>1,736</u>	<u>1,626</u>	<u>2,031</u>	<u>1,838</u>
<b>Staff Costs</b>	<b>46,513</b>	<b>39,089</b>	<b>44,421</b>	<b>37,680</b>
Restructuring costs – redundancy	<u>984</u>	<u>954</u>	<u>1,402</u>	<u>1,336</u>
	<b><u>47,497</u></b>	<b><u>40,043</u></b>	<b><u>45,823</u></b>	<b><u>39,016</u></b>

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Leadership Team, as detailed on page 2. During the year there were 8 postholders in total. During the year of 2016/17 there were 8 postholders in total as both the Principal and Deputy Principal left the college in 2016/17 and new postholders were subsequently appointed to those posts.

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

	<b>2017 Group No.</b>	<b>2017 College No.</b>	<b>2016 Group No.</b>	<b>2016 College No.</b>
The number of key management personnel including the Accounting Officer was:	8	8	6	6

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**6. Staff costs (continued)**

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

	Group 2017 Number	College 2017 Number	Group 2016 Number	College 2016 Number
<b>Key management personnel:</b>				
£60,001 to £70,000	1	1	-	-
£70,001 to £80,000	1	1	-	-
£80,001 to £90,000	1	1	2	2
£90,001 to £100,000	3	3	-	-
£100,001 to £110,000	1	1	4	4
£110,001 to £120,000	-	-	-	-
£150,001 to £160,000	-	-	1	1
£170,001 to £180,000	-	-	1	1
£230,001 to £240,000	<u>1</u>	<u>1</u>	-	-
	<b><u>8</u></b>	<b><u>8</u></b>	<b><u>8</u></b>	<b><u>8</u></b>

	Group 2017 Number	College 2017 Number	Group 2016 Number	College 2016 Number
<b>Other staff:</b>				
£60,001 to £70,000	6	6	2	2
£70,001 to £80,000	2	2	7	5
£100,001 to £110,000	-	-	1	-
£110,001 to £120,000	1	-	-	-
	<b><u>9</u></b>	<b><u>8</u></b>	<b><u>10</u></b>	<b><u>7</u></b>

Key management personnel emoluments are made up as follows:

	2017 £000	2016 £000
Salaries	762	663
Performance related pay	20	15
Pension contributions	<u>79</u>	<u>90</u>
<b>Total emoluments</b>	<b><u>861</u></b>	<b><u>768</u></b>

**6. Staff costs (continued)**

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

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Salary	193	161
Performance related pay	<u>40</u>	<u>27</u>
	<b><u>233</u></b>	<b><u>188</u></b>
Pension contributions	<u>-</u>	<u>22</u>

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

The Accounting Officer receives salary in lieu of pension contributions. This is reflected in the above figures.

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

**Compensation for loss of office paid to former key management personnel**

The following amounts were paid to three key management personnel and were approved by the College's Remuneration Committee:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Compensation paid to former postholders	<u>259</u>	<u>-</u>

Compensation payments to key management personnel is inclusive of £119k in enhanced pension costs.

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**7. Other operating expenses**

	<b>Group 2017 £000</b>	<b>College 2017 £000</b>	<b>Group 2016 £000</b>	<b>College 2016 £000</b>
Teaching costs	7,654	6,876	6,993	6,333
Non teaching costs	9,120	6,668	8,005	5,581
Premises costs	<u>4,089</u>	<u>3,375</u>	<u>4,254</u>	<u>3,614</u>
	20,863	16,919	19,252	15,528
Exceptional costs	<u>1,012</u>	<u>1,012</u>	<u>444</u>	<u>444</u>
<b>Total</b>	<b><u>21,875</u></b>	<b><u>17,931</u></b>	<b><u>19,696</u></b>	<b><u>15,972</u></b>

The exceptional item of £1.0m relates to the impairment of the Thomas Danby Sports Centre, which is now included in Assets Held for Resale at £50k.

	<b>Group 2017 £000</b>	<b>College 2017 £000</b>	<b>Group 2016 £000</b>	<b>College 2016 £000</b>
<b>Non teaching costs above include:</b>				
Auditors remuneration:				
- financial statements audit	70	55	70	55
- internal audit	70	65	97	89
Other services provided by the financial statement auditor	-	-	9	9
Other services provided by the internal auditor	-	-	-	-
Loss on disposal of tangible fixed assets	-	-	2	-
Hire of assets under operating leases	891	744	932	876

**8. Interest and other finance costs**

	<b>Group 2017 £000</b>	<b>College 2017 £000</b>	<b>Group 2016 £000</b>	<b>College 2016 £000</b>
On bank loans, overdrafts and other loans:				
Repayable within five years, not by instalments	-	-	-	-
Repayable within five years, by instalments	-	-	-	-
Repayable wholly or partly in more than five years	<u>1,402</u>	<u>1,402</u>	<u>1,488</u>	<u>1,488</u>
<b>Total</b>	1,402	1,402	1,488	1,488
On finance leases	138	-	139	-
Pension finance costs	<u>839</u>	<u>753</u>	<u>897</u>	<u>803</u>
	<b><u>2,379</u></b>	<b><u>2,155</u></b>	<b><u>2,524</u></b>	<b><u>2,291</u></b>

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9. Tangible fixed assets – Group

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Leasehold			
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 August 2016	102,964	13,992	10,344	2,289	129,589
Restated non material adjustment	<u>(2,228)</u>	<u>-</u>	<u>(100)</u>	<u>-</u>	<u>(2,328)</u>
Restated balance 1 August 2016	100,736	13,992	10,244	2,289	127,261
Additions	6,240	1,365	288	14,497	22,390
Re-classification	9,942	-	860	(10,802)	-
Assets held for resale	(2,859)	-	(8)	-	(2,867)
Elimination in respect of disposals	<u>-</u>	<u>-</u>	<u>(62)</u>	<u>-</u>	<u>(62)</u>
At 31 July 2017	<u>114,059</u>	<u>15,357</u>	<u>11,322</u>	<u>5,984</u>	<u>146,722</u>
<b>Accumulated depreciation</b>					
At 1 August 2016	18,788	2,689	5,771	-	27,248
Restated non material adjustment	<u>(2,344)</u>	<u>-</u>	<u>(71)</u>	<u>-</u>	<u>(2,415)</u>
Restated balance 1 August 2016	16,444	2,689	5,700	-	24,833
Charge for year	2,359	610	1,369	-	4,338
Assets held for resale	(474)	-	(4)	-	(478)
Elimination in respect of disposals	<u>-</u>	<u>-</u>	<u>(62)</u>	<u>-</u>	<u>(62)</u>
At 31 July 2017	<u>18,329</u>	<u>3,299</u>	<u>7,003</u>	<u>-</u>	<u>28,631</u>
<b>Net book value at 31 July 2017</b>	<u><b>95,730</b></u>	<u><b>12,058</b></u>	<u><b>4,319</b></u>	<u><b>5,984</b></u>	<u><b>118,091</b></u>
<b>Net book value at 31 July 2016</b>	<u><b>84,176</b></u>	<u><b>11,303</b></u>	<u><b>4,573</b></u>	<u><b>2,289</b></u>	<u><b>102,341</b></u>

The adjustment to the opening balances of cost and depreciation results from inclusion of fully depreciated assets within the prior year balances that had been disposed of but not removed from the Asset Register. There is a net effect of the restatement of £88k, that corresponds to excess depreciation, incorrectly charged within the prior year in respect of these assets.

Horsforth Campus was transferred to Assets Held for Resale at £1.3m, reflecting the expected sale in 2017/18. Thomas Danby Sports Centre was impaired by £1.0m and transferred to Assets Held for Resale at £50k.

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9 Tangible fixed assets (continued) - College

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Leasehold			
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 August 2016	102,964	956	7,823	2,289	114,032
Restated non material adjustment	<u>(2,228)</u>	<u>-</u>	<u>(100)</u>	<u>-</u>	<u>(2,328)</u>
Restated balance 1 August 2016	100,736	956	7,723	2,289	111,704
Additions	6,240	-	-	14,497	20,737
Re-classification	9,942	-	860	(10,802)	-
Assets held for resale	<u>(2,859)</u>	<u>-</u>	<u>(8)</u>	<u>-</u>	<u>(2,867)</u>
At 31 July 2017	<u>114,059</u>	<u>956</u>	<u>8,575</u>	<u>5,984</u>	<u>129,574</u>
<b>Accumulated depreciation</b>					
At 1 August 2016	18,788	481	4,911	-	24,180
Restated non material adjustment	<u>(2,344)</u>	<u>-</u>	<u>(71)</u>	<u>-</u>	<u>(2,415)</u>
Restated balance 1 August 2016	16,444	481	4,840	-	21,765
Charge for year	2,359	95	935	-	3,389
Assets held for resale	<u>(474)</u>	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(478)</u>
At 31 July 2017	<u>18,329</u>	<u>576</u>	<u>5,771</u>	<u>-</u>	<u>24,676</u>
<b>Net book value at 31 July 2017</b>	<u>95,730</u>	<u>380</u>	<u>2,804</u>	<u>5,984</u>	<u>104,898</u>
<b>Net book value at 31 July 2016</b>	<u>84,176</u>	<u>475</u>	<u>2,912</u>	<u>2,289</u>	<u>89,852</u>

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



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**10. Investments (continued)**

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

On 26 July 2016, the college became the sole owner of the Leeds Apprenticeship Training Agency Limited (LATA), a company limited by guarantee without share capital. The college had previously owned 50%, with the other 50% being owned by Leeds City Council. For the year to 31 July 2017, the Leeds Apprenticeship Training Agency Limited had a loss of £10k and reserves of £61k.

The college formed White Rose Resourcing Limited, a private limited company incorporated in England and Wales with 2 ordinary shares of £1 each. White Rose Resourcing Limited commenced trading on 1 September 2015. For the year to 31 July 2017, White Rose Resourcing Limited had a loss of £58k and negative reserves of £71k.

For the year ending 31 July 2017, both the Leeds Apprenticeship Training Agency Limited and White Rose Resourcing Limited were entitled to exemption for audit under section 477 of the Companies Act 2006 relating to small companies.

**11. Intangible assets**

	<b>Group 2017 £000</b>	<b>College 2017 £000</b>	<b>Group 2016 £000</b>	<b>College 2016 £000</b>
At 1 August	82	67	122	122
Additions	-	-	15	-
Amortisation	<u>(68)</u>	<u>(53)</u>	<u>(55)</u>	<u>(55)</u>
<b>At 31 July</b>	<b><u>14</u></b>	<b><u>14</u></b>	<b><u>82</u></b>	<b><u>67</u></b>

**12. Debtors**

	<b>Group 2017 £000</b>	<b>College 2017 £000</b>	<b>Group 2016 £000</b>	<b>College 2016 £000</b>
Amounts falling due within one year:				
Trade debtors	842	730	767	618
Other debtors	124	118	106	105
Prepayments and accrued income	<u>2,301</u>	<u>1,989</u>	<u>2,499</u>	<u>2,262</u>
<b>Total</b>	<b><u>3,267</u></b>	<b><u>2,837</u></b>	<b><u>3,372</u></b>	<b><u>2,985</u></b>

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**13. Creditors: amounts falling due within one year**

	Group 2017 £000	College 2017 £000	Group 2016 £000	College 2016 £000
Bank loans and overdrafts	1,457	1,457	1,457	1,457
Obligations under finance leases	72	-	66	-
Payments received in advance	923	885	675	522
Trade creditors	1,735	1,478	959	716
Amounts owed to group undertakings	-	1,281	-	1,704
Other creditors	1,558	1,048	2,500	2,315
Other taxation and social security	778	675	810	669
Accruals	4,721	4,394	4,098	3,723
Amounts owed to the funding bodies	<u>1,050</u>	<u>1,050</u>	<u>1,325</u>	<u>1,325</u>
<b>Total</b>	<b><u>12,294</u></b>	<b><u>12,268</u></b>	<b><u>11,890</u></b>	<b><u>12,431</u></b>

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

	Group 2017 £000	College 2017 £000	Group 2016 £000	College 2016 £000
Bank loans	22,811	22,811	24,279	24,279
Obligations under finance leases	<u>2,414</u>	<u>-</u>	<u>2,486</u>	<u>-</u>
<b>Total</b>	<b><u>25,225</u></b>	<b><u>22,811</u></b>	<b><u>26,765</u></b>	<b><u>24,279</u></b>

**15. Maturity of debt**

**(a) Bank loans**

Bank loans are repayable as follows:

	Group 2017 £000	College 2017 £000	Group 2016 £000	College 2016 £000
Repayments due;				
In one year or less	1,457	1,457	1,457	1,457
Between one and two years	1,457	1,457	1,457	1,457
Between two and five years	4,372	4,372	4,372	4,372
In five years or more	<u>16,982</u>	<u>16,982</u>	<u>18,450</u>	<u>18,450</u>
<b>Total</b>	<b><u>24,268</u></b>	<b><u>24,268</u></b>	<b><u>25,736</u></b>	<b><u>25,736</u></b>

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

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**15. Maturity of debt (continued)**

**(b) Finance leases**

	Group 2017 £000	College 2017 £000	Group 2016 £000	College 2016 £000
Payments due;				
In one year or less	72	-	66	-
Between two and five years	347	-	323	-
In five years or more	<u>2,067</u>	<u>-</u>	<u>2,163</u>	<u>-</u>
	<b><u>2,486</u></b>	<b><u>-</u></b>	<b><u>2,552</u></b>	<b><u>-</u></b>

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

**16. Provisions for liabilities and charges**

	Defined benefit obligations £000	Enhanced pensions £000	Other £000	Total £000
<b>Group</b>				
At 1 August	33,725	1,868	613	36,206
Expenditure in the period	(2,282)	(121)	(507)	(2,910)
Transferred from income and expenditure	<u>(6,972)</u>	<u>(17)</u>	<u>168</u>	<u>(6,821)</u>
<b>At 31 July</b>	<b><u>24,471</u></b>	<b><u>1,730</u></b>	<b><u>274</u></b>	<b><u>26,475</u></b>
<b>College</b>				
At 1 August	29,846	1,650	613	32,109
Expenditure in the period	(1,725)	(103)	(507)	(2,335)
Transferred from income and expenditure	<u>(6,417)</u>	<u>(17)</u>	<u>168</u>	<u>(6,266)</u>
<b>At 31 July</b>	<b><u>21,704</u></b>	<b><u>1,530</u></b>	<b><u>274</u></b>	<b><u>23,508</u></b>

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**16. Provisions for liabilities and charges (continued)**

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

The principal assumptions for this calculation are:

	<b>2017</b>	<b>2016</b>
Interest rate	3.5%	2.3%
Net interest rate	1.7%	1.3%

**17. Cash and cash equivalents**

	<b>At 1 August 2016</b>	<b>Cash flows</b>	<b>At 31 July 2017</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash and cash equivalents	5,467	(398)	5,069
<b>Total</b>	<b><u>5,467</u></b>	<b><u>(398)</u></b>	<b><u>5,069</u></b>

**18. Defined benefit obligations**

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2014 and of the WYPF 31 March 2016.

**Total pension cost for the year**

	<b>Group</b>	<b>Group</b>
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Teachers' Pension Scheme: Contributions paid	2,218	2,245
West Yorkshire Pension Fund:		
Contributions paid	2,150	1,917
Past Service Cost	18	-
FRS102 charge	<u>2,420</u>	<u>1,297</u>
Charge to the Income and Expenditure	4,588	3,214
Enhanced pension charge/(credit) to Income and Expenditure	9	8
People's Pension – Contributions Paid	<u>22</u>	<u>22</u>
<b>Total pension cost for year</b>	<b><u>6,837</u></b>	<b><u>5,489</u></b>

## 18. Defined benefit obligations (continued)

### Teachers' pension scheme

#### Introduction

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

#### The Teachers' Pension Budgeting And Valuation Account

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

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

#### Valuation Of The Teachers' Pension Scheme

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

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

The new employer contribution rate for the TPS 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.

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.

**18. Defined benefit obligations (continued)**

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection. Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £2,218k (2016: £2,245k).

**Financial Reporting Standard 102 (28)**

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

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

**West Yorkshire Pension Fund**

The WYPF is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2017 was £3,261k (2016: £2,906k) of which employer's contributions totalled £2,150k and employees' contributions totalled £1,111k. 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.

**FRS 102 Principal Actuarial Assumptions**

	At 31 July 2017 WYPF funded benefits	At 31 July 2017 WYPF unfunded benefits	At 31 July 2016WYPF funded benefits	At 31 July 2016 WYPF unfunded benefits
Expected rate of salary increases	1.0%	n/a	1.0%	n/a
Future pension increases	2.0%	2.0%	1.8%	1.8%
Discount rate	2.6%	2.6%	2.4%	2.4%
Inflation assumption (CPI)	2.0%	2.0%	1.8%	1.8%

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

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**18. Defined benefit obligations (continued)**

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

	At 31 July 2017	At 31 July 2016
<i>Retiring today</i>		
Males	22.1	22.7
Females	25.2	25.6
<i>Retiring in 20 years</i>		
Males	23.0	24.9
Females	27.0	28.0

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

	Group	College	Group	College
	Value at 31 July 2017 £000	Value at 31 July 2017 £000	Value at 31 July 2016 £000	Value at 31 July 2016 £000
Equities	79,026	70,379	69,493	62,205
Government Bonds	9,968	8,877	10,364	9,277
Corporate bonds	4,008	3,569	3,886	3,479
Property	4,522	4,027	4,442	3,976
Cash	1,747	1,556	1,295	1,160
Other	<u>3,493</u>	<u>3,112</u>	<u>3,054</u>	<u>2,732</u>
<b>Total market value of assets</b>	102,764	91,520	92,534	82,829
<b>Actual return on plan assets</b>	10,207	9,136	9,433	8,472
Present value of scheme liabilities				
- Funded	(126,892)	(112,880)	(125,840)	(112,264)
- Unfunded	<u>(343)</u>	<u>(344)</u>	<u>(419)</u>	<u>(411)</u>
<b>Deficit in the scheme</b>	<u><b>(24,471)</b></u>	<u><b>(21,704)</b></u>	<u><b>(33,725)</b></u>	<u><b>(29,846)</b></u>

**18. Defined benefit obligations (continued)**

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

	Group 2017 £000	College 2017 £000	Group 2016 £000	College 2016 £000
Fair value of plan assets	102,764	91,520	92,534	82,829
Present value of plan liabilities	(126,892)	(112,880)	(125,840)	(112,264)
Present value of unfunded liabilities	(343)	(344)	(419)	(411)
<b>Net pensions (liability)/asset</b>	<b>(24,471)</b>	<b>(21,704)</b>	<b>(33,725)</b>	<b>(29,846)</b>

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

	Group 2017 £000	College 2017 £000	Group 2016 £000	College 2016 £000
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**Amounts included in staff costs**

Current service cost	4,594	3,469	3,255	2,455
Past service cost	147	129	556	556
<b>Total</b>	<b>4,741</b>	<b>3,598</b>	<b>3,811</b>	<b>3,011</b>

**Amounts included in interest and other finance costs**

Interest on pension liabilities	782	696	860	766
<b>Net interest cost</b>	<b>782</b>	<b>696</b>	<b>860</b>	<b>766</b>

**Amounts recognised in Other Comprehensive Income**

Return on pension plan assets	7,153	7,153	6,448	5,791
Experience gains arising on defined benefit obligations	5,321	3,537	(12,874)	(11,595)
<b>Amount recognised in Other Comprehensive Income</b>	<b>12,474</b>	<b>10,690</b>	<b>(6,426)</b>	<b>(5,804)</b>



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18. Defined benefit obligations (continued)

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

	Group 2017 £000	College 2017 £000	Group 2016 £000	College 2016 £000
Surplus/(deficit) in scheme at 1 August	(33,725)	(29,846)	(25,141)	(22,298)
Movement in year:				
Current service cost	(4,594)	(3,469)	(3,255)	(2,455)
Employer contributions	2,282	1,725	2,491	2,010
Past service cost	(147)	(129)	(556)	(556)
Net interest on the defined (liability)/asset	(782)	(696)	(860)	(766)
Net benefits paid out	21	21	23	23
Remeasurement gains on assets	7,153	7,153	5,791	5,791
Actuarial gain or loss	5,321	3,537	(12,218)	(11,595)
<b>Net defined benefit (liability)/asset at 31 July</b>	<b>(24,471)</b>	<b>(21,704)</b>	<b>(33,725)</b>	<b>(29,846)</b>

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	Group 2017 £000	College 2017 £000	Group 2016 £000	College 2016 £000
<b>Defined benefit obligations at start of period</b>	<b>126,259</b>	<b>112,675</b>	<b>107,877</b>	<b>96,877</b>
Current Service cost	4,594	3,469	3,255	2,455
Interest cost	3,004	2,679	3,846	3,447
Contributions by Scheme participants	1,114	738	991	704
Experience gains and losses on defined benefit obligations	(4,489)	(3,537)	12,874	11,595
Changes in financial assumptions	-	-	-	-
Benefits paid	(3,394)	(2,929)	(3,140)	(2,959)
Past Service cost	147	129	556	556
<b>Defined benefit obligations at end of period</b>	<b>127,235</b>	<b>113,224</b>	<b>126,259</b>	<b>112,675</b>

Reconciliation of Assets

	Group 2017 £000	College 2017 £000	Group 2016 £000	College 2016 £000
<b>Fair value of plan assets at start of period</b>	<b>92,534</b>	<b>82,829</b>	<b>82,736</b>	<b>74,579</b>
Interest on plan assets	2,222	1,983	2,985	2,681
Remeasurement gains on assets	-	-	6,448	5,791
Return on plan assets	7,985	7,153	-	-
Employer contributions	2,282	1,725	2,491	2,010
Contributions by Scheme participants	1,114	738	991	704
Benefits paid	(3,373)	(2,908)	(3,117)	(2,936)
<b>Assets at end of period</b>	<b>102,764</b>	<b>91,520</b>	<b>92,534</b>	<b>82,829</b>

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**19. Post balance sheet events**

Post year end the college has secured a £6m three year revolving credit facility to support the ongoing capital programme. As part of this facility security over the Printworks campus has been granted to Santander, the college's lender.

**20. Capital commitments**

	Group 2017 £000	College 2017 £000	Group 2016 £000	College 2016 £000
Commitments contracted for as at 31 July	<u>1,403</u>	<u>680</u>	<u>1,239</u>	<u>1,061</u>
Authorised but not contracted at 31 July	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

**21. Lease obligations**

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

	Group 2017 £000	College 2017 £000	Group 2016 £000	College 2016 £000
<b>Land and buildings</b>				
Expiring within one year	120	120	151	151
Expiring within one and five years inclusive	387	387	513	513
Expiring in over five years	<u>—</u>	<u>—</u>	<u>2,346</u>	<u>2,346</u>
	<u>507</u>	<u>507</u>	<u>3,010</u>	<u>3,010</u>
<b>Other</b>				
Expiring within one year	280	248	34	16
Expiring within one and five years inclusive	100	31	805	784
Expiring in over five years	<u>1,611</u>	<u>5</u>	<u>48</u>	<u>25</u>
	<u>1,991</u>	<u>284</u>	<u>887</u>	<u>825</u>

**22. Related party transactions**

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

Transactions with the funding bodies are detailed in note 2.

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**23. Amounts disbursed as agent**

**Learner support funds**

	<b>Group 2017 £000</b>	<b>College 2017 £000</b>	<b>Group 2016 £000</b>	<b>College 2016 £000</b>
Funding body grants	1,518	1,478	3,677	3,618
Disbursed to students	(1,132)	(1,104)	(3,059)	(3,019)
Administration costs	<u>(239)</u>	<u>(237)</u>	<u>(157)</u>	<u>(155)</u>
Balance underspent as at 31 July	<u><b>147</b></u>	<u><b>137</b></u>	<u><b>461</b></u>	<u><b>444</b></u>

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



Printworks Campus  
Hunslet Road  
Leeds LS10 1JY

Park Lane Campus  
Park Lane  
Leeds LS3 1AA

Technology Campus  
Cookridge Street  
Leeds LS2 8BL

University Centre  
Park Lane  
Leeds LS3 1AA

Deacon House Centre  
Seacroft Avenue  
Leeds LS14 6JD

Joseph Priestley Centre  
Beeston  
Burton Avenue  
Leeds LS11 5ER

Enfield Centre  
Enfield Terrace  
Leeds LS7 1RG

Keighley College  
Bradford Road  
Keighley BD21 4HQ

Leeds College of Music  
3 Quarry Hill  
Leeds LS2 7PD

Leeds West Academy  
Intake Lane  
Leeds LS13 1DQ

Leeds East Academy  
South Parkway  
Leeds LS14 6TY

Leeds City Academy  
Bedford Field  
Leeds LS6 2LG