

**LEEDS COLLEGE**  
**of MUSIC**

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

**REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 JULY 2015**

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**LEEDS COLLEGE OF MUSIC  
FINANCIAL STATEMENTS  
for the period ended 31 July 2015**

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## **DIRECTOR'S REPORT**

The Directors present their report and the audited financial statements for the period ended 31 July 2015

### **Legal status**

The company was incorporated on 7 April 2011 as a wholly owned subsidiary undertaking of Leeds City College ("LCC").

The company is an exempt charity for the purposes of the Charities Act 2011.

### **Vision, mission and values**

Our vision is to be a leading European Conservatoire.

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

We will achieve this by living the following values:

- Creative
- Rigorous
- Supportive
- Sustainable

### **Implementation of strategic plan**

The LCoM Strategic Plan 2015 – 2020 splits our Strategic aims into two elements:

#### *Core Aims: Quality*

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

#### *Enabling Aims: Growth*

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

Progress towards these aims is monitored regularly through a set of key performance indicators (KPIs) covering:

- Institutional Sustainability
- Academic profile and market position
- The student experience, teaching and learning
- Partnerships
- Financial Health
- Staff and Human Resources Development
- Governance, leadership and management

## **DIRECTOR'S REPORT (CONT.)**

### **Financial objectives**

The financial objectives adopted by LCoM should be read in the context of the strategic plan to achieve growth in Higher Education ("HE") numbers and funding and to facilitate the provision of Further Education ("FE") at the levels required by the market. The financial objectives that underpin the financial plans to 2020 are that we will achieve a net margin of 7%, allowing LCoM to generate positive operating cash flows to enable continued investment in resources. All of our departments will manage their work to agreed budgets and forecasts for each academic year. We will achieve annual student number targets for recruitment and retention, with input from academic and professional support departments.

### **Financial Position**

#### **Financial results**

The company generated a retained surplus of £0.5 million during the year ended 31 July 2015 (2014 – deficit of £0.1 million).

As a result the company's financial position remains stable, with the retained surplus being £0.2 million higher than the budget surplus of £0.3 million. Improvements in curriculum delivery costs and operating efficiencies continue to be realised in line with plans that will assure the continuing viability and sustainability of LCoM's specialist operations.

The Company had an underlying operating surplus of £0.6 million, after adjusting for the following items below:

- FRS17 costs being the difference between the actual cost to the company and that paid by the company in employer contributions of £161K, recorded in the Income and Expenditure account.
- Net interest on the company's assets / liabilities within the West Yorkshire Pension Scheme, reported at £82K, as investment income in the Income and Expenditure account.

An investment of £3.6 million was made in 2010/11 by the Higher Education Funding Council for England ("HEFCE"), in the form of a Strategic Development Fund administered through the holding company, LCC. This financial year saw the closure of the Fund and its aims to improve LCoM's infrastructure, systems and facilities have been achieved. In particular the achievement of its status as an "all Steinway school" and Apple accredited institution are of note. The improvement in the underlying financial position of LCoM as a result of the Fund has put LCoM in a strong position to compete effectively in the future.

The introduction of the new funding regime for undergraduates has provided LCoM with the opportunity to pursue growth in its core business through increased student numbers. This is enhanced by more funded student numbers being available as a result of LCoM's union with LCC and the introduction of a core and margin funding model.

The key to continuing financial health will be for the business to maintain the current cost profile of its new curriculum whilst maintaining the quality of provision necessary to attract further growth over future years. The financial performance in 2014/15 again demonstrates the move towards the long-term viability of LCoM's business model and also the effectiveness of the management processes employed to ensure that it is realised.

## **DIRECTOR'S REPORT (CONT.)**

### **Financial results (cont.)**

In common with all HE Institutions LCoM's principal source of funding has shifted from grants to fees, in LCoM's case the result will be an increased level of unit funding for students recruited under the new arrangements. The funding for FE will remain dependant on monies available from the Skills Funding Agency ("SFA") and the Education Funding Agency ("EFA"). It is anticipated that this will continue to reduce and that the provision of specialist music courses in this sector will reduce accordingly, resulting in HE revenue accounting for an increasing proportion of LCoM's turnover.

### **Balance Sheet**

The company has £8.1 million of net assets (after providing for a £2.8 million pension liability and long term debt of £2.6 million.)

### **Treasury policies and objectives**

Treasury management is the management of the company's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. As part of the LCC Group, surplus cash balances are managed as part of a group treasury function. The LCoM Principal does not have any authority to enter into borrowing on behalf of the company; however, the Board of Directors may do so in accordance with the LCC Group Financial Regulations.

### **Liquidity**

The Company's balance sheet reports an inter-company balance with LCC of £1,715K, which represents LCoM's cash balances. This is sufficient to meet the on-going working capital and investment needs of the operation.

### **Post-balance sheet events**

There are no major balance sheet events to report in the period since 31 July 2015.

### **Going Concern**

After making appropriate enquiries, the Board considers that the company 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.

## **DIRECTOR'S REPORT (CONT.)**

### **Stakeholder Relationships**

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

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

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

### **Equality and diversity**

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

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

Commitments to equality will be applied irrespective of:

- age
- disability
- gender reassignment
- marriage and civil partnership
- pregnancy and maternity
- race
- religion or belief
- sex
- sexual orientation

These commitments are evidenced in LCoM policies and procedures and marketing literature. LCoM's Equality, Diversity and Inclusion ("EDI") Action Plan incorporates actions to achieve these commitments and explains how the conservatoire will implement them. The company's Equality & Diversity Statement is published on its website <http://www.lcm.ac.uk/About-Us/Equality-diversity-inclusion>.

## **DIRECTOR'S REPORT (CONT.)**

### **Disability statement**

The company seeks to achieve the objectives set down in the Equality Act (2010):

1. As part of its Accommodation Strategy the company has an up to date access audit.
2. The company has a Disability Advisor, who provides information, advice and arranges support where necessary for students with disabilities.
3. There is identified specialist equipment, assistive technologies and mentoring available for use by identified students.
4. The admissions policies for all students are available on the conservatoire website. Appeals against a decision not to offer a place are dealt with under the Admission Appeals policy.
5. The company has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. 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.
6. Specialist programmes are described in prospectuses, and achievements and destinations are recorded and published in a standard format.
7. Counselling and welfare services are described in the student handbook, which is issued to students when they enrol.

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

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the company'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 company's auditors are aware of that information.

Approved by order of the Board of Directors on 10 December 2015 and signed on its behalf by:



**Libby Raper**  
Chair of the Board of Directors

Leeds College of Music  
3 Quarry Hill  
Leeds  
LS2 7PD

## **STRATEGIC REPORT**

LCoM had a successful year to 31 July 2015. Significant progress was made against the strategic plan, in particular the achievement of an increased operating surplus, before severance and uncontrollable pension costs.

For the most part, indicators of performance and management of risk was positive, as can be seen below. Where there were negatives, for example although overall the National Student Survey results were positive there are a couple of areas where targets were missed, these will be learnt from and actions taken forward to continually improve.

Looking ahead the future of LCoM looks positive if remaining challenging. Increased competition within the HE sector means that the positive position that has been developed in recent years can be sustained by continued investment in facilities and improvements in the curriculum to attract the most appropriate students.

### **Student numbers**

In 2014/15 the company delivered activity that has produced £1.1 million in SFA and EFA main funding. LCoM had 227 SFA / EFA funded students enrolled at the start of the year, compared to 218 students for the same period last year.

In total, 886 HE students enrolled at LCoM in 2014/15 – 853 undergraduate students and 33 postgraduate students, compared to 818 and 28 students respectively for the same period last year.

### **Curriculum developments**

2014/15 was the fourth year of delivery of revised HE provision, replacing individual degree courses with the BA (Hons) Music, a single structure with separate genre pathways and a combined pathway. The first cohort of students on this new degree graduated in the summer of 2014.

A new pathway was validated and recruited to during 2013/14 for the 2014/15 academic year; BA (Hons) Music Business. This is a complementary course to the other pathways and is a unique offering in a conservatoire setting. The course was advertised after the UCAS cycle was closed, meaning an initial cohort was only recruited through clearing, resulting in 7 students; however the 2015/16 cohort will be 38 students, ahead of its target. Two new pathways were validated for September 2016 entry, New Music and Film Music; again, these are unique in a conservatoire setting. A new Masters level qualification was also validated for September 2016 entry, MMus Creative Musician, a qualification designed to capitalise on the growth in the market we have seen for Masters level students we have seen who focus on cross disciplinary and cross genre practice.

Two full cost courses introduced in 2011/12 have had limited success – these were an Accelerated mode of study for the BA Popular Music and Music Production pathways, and a pre-HE Foundation Certificate. The Accelerated modes of study were discontinued for September 2015, due to lack of market appetite. Changes in UK Visa & Immigration regulation meant that the Foundation Certificate could no longer accept International students which again negatively impacted on recruitment. For September 2016, a Foundation Year to the three year undergraduate mode of study is being validated. For this qualification we will be able to issue Confirmation of Acceptance of Study ("CAS's") and will therefore be able to accept International students at this early stage.



## **STRATEGIC REPORT (CONT.)**

### **Environmental matters**

A key strategic objective for LCoM is to continue to operate sustainably and to have regard for the environment through carbon reduction measures and also through a range of sustainability initiatives. LCoM is part of the carbon management programme which was endorsed by the carbon trust and approved by the LCC Board of Governors in February 2012. LCoM also now shares the same suppliers for energy, waste management and mechanical maintenance with the wider group. A sustainability group has been established and has developed a sustainability strategy. LED light installations have been completed in the main circulation areas within the conservatoire and an independent water heater has been installed so that the boilers can be turned off during the summer months to save energy.

### **People and Resources**

The company has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the company's main building, facilities including recording studios and performance spaces, and musical instruments and equipment. LCoM's staff are a significant resource with many having national and international profiles in their field.

The staff headcount of the college as an average for the year is 272, comprising 109 females and 162 males. Expressed as full time equivalents, the company employs 150 people of whom 78 are teaching staff. There is one Senior Post Holder, the Principal & Managing Director, who is male.

### **Key Performance Indicators**

#### **Academic Profile**

The percentage of BA students graduating in 2015 who achieved a 2.1 or higher was 79%, against a target of 78%. FE Level 3 results for Music were also good with 85% of students successful against a target of 80%; however in Music Technology results were not as pleasing with only 68% of students achieving Level 3 against a target of 78%.

We can also report a slight improvement in the outturn for the percentage of graduates in employment or further study. The year-end position was 90% of graduates from 2014, against a benchmarked target of 90%. The conservatoire continues to work hard to maintain and improve on this in the future.

### **Student Satisfaction**

Results from the National Student Survey, which surveys graduating students, gave an overall satisfaction percentage on target of 80%. This was hugely encouraging and follows improved engagement with students that has significant issues early and has ensured these are being addressed appropriately.

Internal student satisfaction surveys, surveying those HE students not graduating and FE students, were positive to the target. HE had an outturn of 92% against a target of 90%, whilst FE was 96% against a target of 90%.

### **Staff**

Staff turnover was on target of 15% and in line with prior year. Also, staff absenteeism was positive to target at 1.6% against a target of 2.5%, and significantly ahead of the CIPD national benchmark of 2.9%.

## STRATEGIC REPORT (CONT.)

### Principal Risks and Uncertainties

Based on its strategic aims, the company identified a number of key strategic risks, which impacted on the whole organisation. These are managed by the Executive Management Group (EMG) and overseen by the Principal & Managing Director and Board. The whole process is overseen by the LCC 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 LCC Group's internal auditors use the risks to inform their prospective work plan so that the entire plan is focused upon the key risks facing the company.

Outlined below is a description of the principal risks identified during 2014/15. Significant progress has been made against many of these during the year and whilst the risk levels with planned mitigation are judged to be acceptable, close monitoring of them is nevertheless actively maintained.

Risk Description	Mitigation in place/planned
<p><b><u>Student satisfaction</u></b> a) Issues of student dissatisfaction highlighted by the 2014 NSS are not resolved and/or communicated, leading to a further decrease in published satisfaction rates in 2015 and potential damage to reputation/recruitment. b) Student feedback engagement and capture outside of the NSS process is insufficient to highlight areas of student dissatisfaction at an early stage.</p>	<p><b><u>Mitigation in place:</u></b> 1. Action to increase the NSS response rate succeeded - 2015 response is 69% compared with 57% in 2014 and a target of 65%. 2. An independent survey of final year undergraduate students conducted by QDP in November 2014, and for all other students in April 2015 produced positive results. HE years 1, 2 and 3 report 92% overall satisfaction, FE students report 96% overall satisfaction. 3. Termly Student-Staff Forum meetings and other informal feedback opportunities via staff and the Students' Union.</p>
<p><b><u>Accommodation</u></b> A shortage of accommodation in the building leads to LCoM's inability to deliver on advertised practice/studio time for students, in turn leading to student dissatisfaction, and limits the conservatoire's capacity for growth in student numbers.</p>	<p><b><u>Mitigation in place:</u></b> 1. An estate options review has been conducted and further teaching spaces were created in Summer 2015 by relocating staff accommodation offsite. 2. Audit of room bookings showing a large number of no-shows and c.25% availability of practice rooms during core hours; this is being communicated back to students via the Students' Union and Student-Staff Forum and a penalty system is being considered.</p>
<p><b><u>Succession planning/recruitment</u></b> Succession planning and recruitment of key staff is made more difficult due to the small, specialist nature of the institution and lean management structure, leading to delayed recruitment and/or vacant posts.</p>	<p><b><u>Mitigation in place:</u></b> 1. Departmental SWOT analyses highlighting individuals and key staff positions that might be difficult to replace. 2. Internal succession planning being addressed as part of the appraisal process. 3. A Reward Strategy has been approved, which formalises LCoM's approach to staff reward and talent retention and is supported by a suite of policies</p>

**STRATEGIC REPORT (CONT.)**

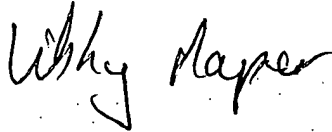
Risk Description	Mitigation in place/planned
<p><b><u>Market position</u></b> Competitor strategies impact to reduce our key markets.</p>	<p><b><u>Mitigation in place:</u></b> 1. Diversification of undergraduate course portfolio to include Business (2014), discrete combined pathways (2015), New Music, Film Music and BA with Foundation Year (2016); postgraduate curriculum rebranded as MMus Creative Musician (2016), giving LCoM a unique course portfolio that differs from both conservatoires and universities. 2. Marketing strategy in place including work with feeder schools. 3. HE recruitment split between UCAS and UCAS Conservatoires (CUKAS) to target a variety of markets.</p> <p><b><u>Planned:</u></b> 4. Additional curriculum development for 2017 onwards to ensure distinctive market position, based on current strengths and market information. 5. Targeted improvement in FE-HE progression within LCoM and from LCC to LCoM following the transfer of Level 3 provision. 6. Further development of marketing and recruitment insight through the introduction of Customer Relationship Management software for the 2016 recruitment cycle.</p>
<p><b><u>Validation</u></b> LCoM's reliance on an HE validating partner weakens its market position by limiting the ability to respond quickly to changes in student recruitment patterns by varying the HE course portfolio and regulations.</p>	<p><b><u>Mitigation in place:</u></b> 1. Biannual Joint Development Board meetings with the University of Hull for the discussion of course developments. 2. Ad-hoc requests for developments/amendments met by the University. 3. Discussion taking place with the University to feed into their review of validation and planning processes.</p> <p><b><u>Planned:</u></b> 4. Improved curriculum planning informed by better insight into student recruitment - this will be possible in Summer 2015 following the first recruitment cycle for CUKAS and for discrete combined pathways.</p>
<p><b><u>Cashflow</u></b> LCoM needs to demonstrate it can make positive cash flows following a number of years of significant investment and support from the wider LCC Group. Failure to do so would put cash flow pressures on the Group and therefore limit LCoM's ability to operate largely autonomously.</p>	<p><b><u>Mitigation in place:</u></b> 1. Regular cash flow forecasts included in the management accounts and consolidated with LCC.</p> <p><b><u>Planned:</u></b> 2. In the event of limited cash there are certain areas where spending can be delayed and suppliers negotiated with. 3. Potential for income generation for capital plans supported by high net worth individuals.</p>

LEEDS COLLEGE OF MUSIC  
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for the period ended 31 July 2015

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**STRATEGIC REPORT (CONT.)**

Approved by order of the Board of Directors on 10 December 2015 and signed on its behalf by:



**Libby Raper**  
Chair of the Board of Directors

Leeds College of Music  
3 Quarry Hill  
Leeds  
LS2 7PD

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**PROFESSIONAL ADVISORS**

**External Auditors**

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

**Internal Auditors**

Grant Thornton LLP  
No 1 Whitehall Riverside  
Whitehall Road  
Leeds  
LS1 4BN

**Bankers**

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

**Solicitors**

Eversheds LLP  
Bridgewater Place  
Water Lane  
Leeds  
LS11 5DR

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

In the opinion of the Board of Directors the company complies with all the provisions of the Code in so far as they apply, and it has complied throughout the period ended 31 July 2015. The Board recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

### The Board of Directors

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

Name	Date of first Appointment	Term of Office	Date of Resignation / re-appointment
Peter Roberts (LCC Principal & CEO)	7 <sup>th</sup> April 2011	Ex officio	30 <sup>th</sup> September 2015
Cherry Fricker	8 <sup>th</sup> June 2011	4 years	re-appointed for a 2 <sup>nd</sup> term of 4 years on 8 June 2015
Benjamin Saunders	23 <sup>rd</sup> September 2013	4 years	N/A
Neal Parker	1 <sup>st</sup> January 2014	4 years	N/A
Libby Raper (Chair)	1 <sup>st</sup> January 2014	4 years	N/A
Gerry Godley (LCoM Principal & MD)	22 <sup>nd</sup> September 2014	Ex officio	N/A
Colin Booth (LCC Principal & CEO)	1st October 2015	Ex officio	
Lisa Le Feuvre	1 <sup>st</sup> November 2015	3 years	9 <sup>th</sup> December 2015
Dr Claire Mera-Nelson	1 <sup>st</sup> November 2015	4 years	N/A

An amendment to the Articles of Association became effective from 1 September 2015. This amended the provisions of the Composition of the Board, allowing for the co-opting of two additional directors to the Board.

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

In accordance with section 172(1) of the Companies Act 2006, Directors have a statutory duty to promote the success of the Company for the benefit of its members. The Board is provided with regular and timely information on the overall financial performance of the company together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board meets every two months, on average.

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

Leeds College of Music  
3 Quarry Hill  
Leeds  
LS2 7PD

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

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

There is a clear division of responsibility in that the roles of the Chair and Principal & Managing Director are separate.

### **Internal Control**

#### **Scope of responsibility**

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

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

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the company's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Leeds College of Music for the period ended 31 July 2015 and up to the date of approval of the annual report and accounts.

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

### **Capacity to handle risk**

The Board has reviewed the key risks to which the company 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 company's significant risks that has been in place for the period ending 31 July 2015 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 Board;
- Regular reviews by the Board of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

Leeds College of Music is included in the annual internal audit plan of Leeds City College, which operates in accordance with the requirements of the Education Funding Agency and Skills Funding Agency's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the company is exposed, and annual internal audit plans are based on this analysis.

### **Review of effectiveness**

The Principal and Managing Director has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

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

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

### **Going Concern**

After making appropriate enquiries, the Board considers that the company 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.



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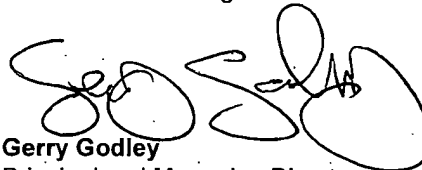
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**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONT.)**

Approved by order of the Board of Directors on 10 December 2015 and signed on its behalf by:



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



**Gerry Godley**  
Principal and Managing Director  
Leeds College of Music

LEEDS COLLEGE OF MUSIC  
FINANCIAL STATEMENTS  
for the period ended 31 July 2015

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**STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency / Education Funding Agency ("SFA / EFA") and the Board of Governors at LCC, the Board, through its Principal and Managing Director, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction for 2014/15 financial statements issued jointly by the SFA / EFA, and which give a true and fair view of the state of affairs of LCoM and the result for that year.

Under company law the Board must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Board is required to:

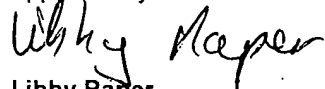
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that LCoM will continue in business.

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

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

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

Approved by order of the members of the Board on 10 December 2015 and signed on its behalf by:



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

**INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF LEEDS COLLEGE OF MUSIC**

We have audited the financial statements of Leeds College of Music for the year ended 31 July 2015 set out on pages 21 to 42. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice Accounting for Further and Higher Education).

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

**Respective responsibilities of directors and auditor**

As explained more fully in the Statement of the Board's Responsibilities set out on page 18, the directors are responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Director's Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2015 and of its surplus for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

LEEDS COLLEGE OF MUSIC  
FINANCIAL STATEMENTS  
for the period ended 31 July 2015

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**INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF LEEDS  
COLLEGE OF MUSIC (cont.)**

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



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

*14 December 2015*

LEEDS COLLEGE OF MUSIC  
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**INCOME AND EXPENDITURE ACCOUNT**

	Notes	2015 £000	2014 £000
<b>Income</b>			
Funding body grants	2	372	451
Tuition fees and education contracts	3	8,094	6,253
Other income	4	2,225	2,930
Investment income	5	82	41
<b>Total income</b>		<b>10,773</b>	<b>9,675</b>
<b>Expenditure</b>			
Staff costs	6	6,157	5,789
Other operating expenses	8	3,123	2,981
Depreciation	10	827	791
Interest and other finance costs	9	156	183
<b>Total expenditure</b>		<b>10,263</b>	<b>9,744</b>
Surplus/(Deficit) on continuing operations after depreciation of tangible fixed assets at valuation and before tax		510	(69)
Taxation		-	-
Surplus/(Deficit) for the period retained within general reserves		<b>510</b>	<b>(69)</b>

The income and expenditure account is in respect of continuing operations.

LEEDS COLLEGE OF MUSIC  
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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	<i>Notes</i>	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
Surplus / (deficit) on continuing operations after depreciation of assets at valuation and disposals of assets and tax		<b>510</b>	<b>(69)</b>
Actuarial (loss) / gain in respect of FRS17	<b>18</b>	<b>(744)</b>	<b>173</b>
Actuarial loss in respect of Enhanced Pensions		<b>(17)</b>	<b>(5)</b>
<b>Total recognised (loss) / gain</b>		<b>(251)</b>	<b>99</b>
<b>Reconciliation</b>			
Brought forward from prior years		<b>2,909</b>	<b>2,810</b>
Total recognised (loss) / gain for the period		<b>(251)</b>	<b>99</b>
<b>Closing reserves at 31 July 2015</b>		<b>2,658</b>	<b>2,909</b>

LEEDS COLLEGE OF MUSIC  
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for the period ended 31 July 2015

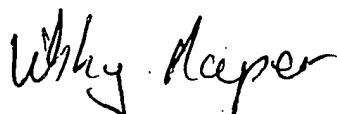
**BALANCE SHEET AS AT 31<sup>ST</sup> JULY 2015**

	Notes	2015 £000	2014 £000
<b>Fixed Assets</b>			
Tangible assets	10	12,551	12,260
<b>Endowment Assets</b>		5	2
<b>Current Assets</b>			
Stock		4	6
Debtors	11	1,913	1,876
<b>Total current assets</b>		<u>1,917</u>	<u>1,882</u>
<b>Less: Creditors - amounts falling due within one year</b>	12	<u>(730)</u>	<u>(648)</u>
<b>Net current assets</b>		1,187	1,232
<b>Total assets less current liabilities</b>		<u>13,743</u>	<u>13,494</u>
<b>Less: Creditors – amounts falling due after more than one year</b>	13	(2,555)	(2,653)
<b>Less: Provisions for liabilities</b>	15	<u>(237)</u>	<u>(231)</u>
<b>Net assets excluding pension liability</b>		10,951	10,610
<b>Net pension liability</b>	18	<u>(2,843)</u>	<u>(2,020)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>8,108</u>	<u>8,590</u>
<b>Deferred capital grants</b>	16	5,445	5,679
<b>Reserves</b>			
Income and expenditure account excluding pension reserve	17	5,501	4,929
Pension reserve	18	<u>(2,843)</u>	<u>(2,020)</u>
<b>Income and expenditure account including pension reserve</b>	17	2,658	2,909
<b>Endowment reserve</b>		<u>5</u>	<u>2</u>
<b>Total reserves</b>		<u>2,663</u>	<u>2,911</u>
<b>TOTAL FUNDS</b>		<u>8,108</u>	<u>8,590</u>

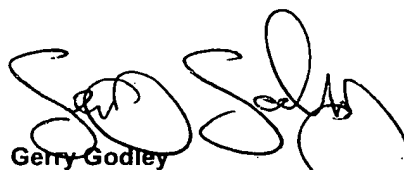
LEEDS COLLEGE OF MUSIC  
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**BALANCE SHEET AS AT 31<sup>ST</sup> JULY 2015 (CONT.)**

The financial statements on pages 21 to 42 were approved and authorised for issue by the Board on 10 December 2015 and were signed on its behalf on that date by:



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



**Gerry Godley**  
Principal and Managing Director  
Leeds College of Music

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> JULY 2015**

	Notes	2015 £'000	2014 £'000
Net cash flow from operating activities	24(a)	905	241
Returns on investments and servicing of finance	24(b)	(156)	(183)
Capital expenditure and financial investment	24(c)	(634)	(596)
<b>Net cash flow before management of liquid resources and financing</b>		<b>115</b>	<b>(538)</b>
<b>Management of liquid resources and financing</b>			
Financing	24 (d)	(20)	(17)
<b>Reduction / (increase) in net debt</b>		<b>95</b>	<b>(555)</b>
Net debt at 1 August	24 (e)	(997)	(442)
<b>Net debt at 31 July</b>	24 (e)	<b>(902)</b>	<b>(997)</b>



## **NOTES TO THE ACCOUNTS**

### **1. ACCOUNTING POLICIES**

#### **Statement of accounting policies**

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

#### **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the Education Funding Agency in the 2014/15 Accounts Direction Handbook.

#### **True and Fair Override**

These financial statements have been prepared including a departure from the requirements of the Financial Reporting Standard 10 (FRS 10) – Goodwill and Intangible Assets and the reporting of negative goodwill arising on acquisition in the Statement of Total Recognised Gains and Losses in accordance with the requirements of the Accounts Direction Handbook. This departure has been necessary in order for the financial statements to give a true and fair view.

FRS 10 requires that the negative goodwill arising on the acquisition be accounted for in the balance sheet. However the Accounts Direction Handbook states that it is inappropriate to treat the fair value of the dissolved net assets of LCoM acquired as negative goodwill. Instead, the transfer should be accounted for as in substance a gift. This follows the suggested treatment in the ASB's Statement of Principles for Financial Reporting Interpretation for Public Benefit Entities, and the 2007 SORP which requires all gifts to be included in the statement of total recognised gains and losses.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

#### **Going concern**

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

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

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

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for the period ended 31 July 2015

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**NOTES TO THE ACCOUNTS (CONTINUED)**

**Recognition of income**

Income is recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement is adjusted for and reflected in the level of income recognised. Education activity delivered by LCoM forms part of the total LCC Group funding allocation received from funding bodies. LCC transfers the appropriate funding achieved to LCoM under an agreement between them. This income is included in note 4 under provision of education.

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

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

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

**Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent undertaking publishes a consolidated cash flow statement.

**Post-retirement benefits**

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

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

The WYPF is a funded scheme and the assets are held separately from those of the College in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on curtailments and settlements. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have been vested. If the benefits have not been vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

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**NOTES TO THE ACCOUNTS (CONTINUED)**

**Enhanced Pensions**

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

**Tangible fixed assets**

**Land and buildings**

Building improvements made are included in the balance sheet at cost. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 5 and 30 years. Leasehold land and buildings are depreciated on a straight-line basis over their expected economic life to the College of 60 years or, if shorter, the period of the lease.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

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

Subsequent expenditure on existing fixed assets:

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

- 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 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

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

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**NOTES TO THE ACCOUNTS (CONTINUED)**

**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.

**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 Board tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Board 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 receives no similar exemption in respect of value added tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Capital costs and non-pay expenditure are therefore shown inclusive of VAT with any partial recovery included in other operating income.

**Provisions**

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

**Agency Arrangements**

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 23, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

**Inter-Group Transactions**

The College has taken advantage of exemptions within FRS8 from disclosing transactions within the group

LEEDS COLLEGE OF MUSIC  
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**NOTES TO THE ACCOUNTS (CONTINUED)**

**2. FUNDING BODY GRANTS**

	2015 £000	2014 £000
Releases of Deferred Capital Grants	<u>372</u>	<u>451</u>
<b>Total</b>	<u><b>372</b></u>	<u><b>451</b></u>

**3. TUITION FEES AND EDUCATION CONTRACTS**

	2015 £000	2014 £000
Tuition Fees	<u>8,094</u>	<u>6,253</u>
<b>Total</b>	<u><b>8,094</b></u>	<u><b>6,253</b></u>

**4. OTHER INCOME**

	2015 £000	2014 £000
Provision of Education	1,495	2,597
Other Income	<u>730</u>	<u>333</u>
<b>Total</b>	<u><b>2,225</b></u>	<u><b>2,930</b></u>

Included within other income are the proceeds of the disposal of an interest in the lease of the Joseph Stones accommodation block. The interest was sold to the owner for £406,000 with costs of disposal (agent's fees and legal costs) of £49,000.

**5. INVESTMENT INCOME**

	2015 £000	2014 £000
Pension Finance Income ( <i>see note 18</i> )	<u>82</u>	<u>41</u>
<b>Total</b>	<u><b>82</b></u>	<u><b>41</b></u>

LEEDS COLLEGE OF MUSIC  
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**NOTES TO THE ACCOUNTS (CONTINUED)**

**6. STAFF COSTS**

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

	2015 Number	2014 Number
Teaching Staff	61	50
Non-teaching Staff	89	89
<b>Total Staff</b>	<b>150</b>	<b>139</b>
	2015 £000	2014 £000
Wages and Salaries	5,015	4,666
Social Security Costs	332	322
Other Pension Costs ( <i>see note 18</i> )	649	638
Payroll sub-total	5,996	5,626
Contracted out staffing services	143	163
	6,139	5,789
Restructuring costs – redundancy	18	-
<b>Total</b>	<b>6,157</b>	<b>5,789</b>

The number of senior staff and other staff who received emoluments, including benefits in kind, in the following ranges was:

	2015		2014	
	Number of senior staff	Number of other staff	Number senior staff	Number other staff
£60,001 to £70,000	2	-	2	-
£90,001 to £100,000	1	-	-	-
£110,001 to £120,000	-	-	1	-
	<b>3</b>	<b>-</b>	<b>3</b>	<b>-</b>

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**NOTES TO THE ACCOUNTS (CONTINUED)**

**7. SENIOR STAFF EMOLUMENTS**

The number of senior post-holders and other staff who received annual emoluments, excluding pension contributions and including benefits in kind, in the following ranges was:

	2015 Number	2014 Number
Senior Staff	<u>4</u>	<u>3</u>
	2014 £000	2013 £000
Senior Staff Emoluments are made up as follows:		
Salaries	283	257
Benefits in kind	9	1
Pension Contributions	<u>30</u>	<u>31</u>
Total	<u>322</u>	<u>289</u>

The above emoluments include amounts payable to the Principal & Managing Director, Gerry Godley (appointed on 22<sup>nd</sup> September 2014 and who is also the highest paid member of staff) of:

	2015 £000	2014 £000
Salary	87	119
Benefits in Kind	<u>8</u>	<u>-</u>
Total Staff	<u>95</u>	<u>119</u>
Pension Contributions	<u>9</u>	<u>17</u>

Mr Godley replaced the previous Principal, Phillip Meaden, who left on 21 September and was paid £18,000 in salary and had £1,000 in pension contributions paid on his behalf. The pension contributions in respect of the Principal and senior staff are in respect of employer's contributions to the West Yorkshire Pensions Fund and are paid at the same rate as for other employees.

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

**8. OTHER OPERATING EXPENSES**

	2015 £000	2014 £000
Teaching Costs	737	774
Non-teaching Costs	1,788	1,694
Premises Costs	<u>598</u>	<u>513</u>
Total	<u>3,123</u>	<u>2,981</u>

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**NOTES TO THE ACCOUNTS (CONTINUED)**

**8. OTHER OPERATING EXPENSES (CONT.)**

	2015 £000	2014 £000
<b>Non-teaching costs include</b>		
Auditors remuneration:		
- Financial Statements audit	13	13
- Internal audit	8	9
Loss on disposal of tangible fixed assets	8	16
Hire of other assets – operating leases	<u>58</u>	<u>58</u>

**9. INTEREST AND OTHER FINANCE COSTS**

	2015 £000	2014 £000
On finance leases	<u>156</u>	<u>183</u>

**10. TANGIBLE FIXED ASSETS**

	Land & Buildings Leasehold £000	Equipment £000	Total £000
<b>Cost</b>			
Balance brought forward	11,931	1,787	13,718
Additions	796	330	1,126
Disposals	-	(128)	(128)
<b>Total</b>	<u>12,727</u>	<u>1,989</u>	<u>14,716</u>
<b>Accumulated depreciation</b>			
Balance brought forward	1,224	234	1,458
Charge for period	464	363	827
Disposals	-	(120)	(120)
<b>At 31<sup>st</sup> of July 2015</b>	<u>1,688</u>	<u>477</u>	<u>2,165</u>
<b>Net book value at 31<sup>st</sup> of July 2015</b>	<u>11,039</u>	<u>1,512</u>	<u>12,551</u>
<b>Net book value at 31<sup>st</sup> July 2014</b>	<u>10,707</u>	<u>1,553</u>	<u>12,260</u>

The net book value of tangible fixed assets includes an amount of £3,178K in respect of assets held under finance leases. The depreciation charge on these assets for the year was £79K.



LEEDS COLLEGE OF MUSIC  
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**NOTES TO THE ACCOUNTS (CONTINUED)**

**11. DEBTORS**

	2015 £000	2014 £000
<b>Amounts falling due within one year</b>		
Trade debtors	57	85
Amounts owed by parent undertaking – Leeds City College	1,715	1,674
Prepayments and accrued income	141	117
<b>Total</b>	<b>1,913</b>	<b>1,876</b>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2015 £000	2014 £000
Obligations under finance leases	59	15
Payments received in advance	33	117
Trade creditors	186	30
Other creditors	84	99
Other taxation and social security	102	92
Accruals	266	295
<b>Total</b>	<b>730</b>	<b>648</b>

**13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2015 £000	2014 £000
Obligations under finance leases	2,555	2,653
<b>Total</b>	<b>2,555</b>	<b>2,653</b>

**14. BORROWINGS**

**Finance leases**

	2015 £000	2014 £000
In one year or less	59	15
Between two and five years	292	126
In five years or more	2,263	2,527
<b>Total</b>	<b>2,614</b>	<b>2,668</b>

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

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**NOTES TO THE ACCOUNTS (CONTINUED)**

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

**Enhanced pensions**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Balance brought forward	231	233
Transferred from income and expenditure account	9	10
Less benefits paid	(18)	(18)
Actuarial losses over the year	15	6
<b>At 31<sup>st</sup> July 2015</b>	<b>237</b>	<b>231</b>

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation cost from which the College cannot reasonably withdraw at the balance sheet date.

The principal assumptions for this calculation are:

	<b>2015</b>	<b>2014</b>
	<b>%</b>	<b>%</b>
Price inflation	3.46%	4.06
Discount rate	1.75%	2.25

**16. DEFERRED CAPITAL GRANTS**

	<b>Funding Body Grants £000</b>	<b>Other Grants £000</b>	<b>Total £000</b>
Balance brought forward	5,108	571	5,679
Grants received and spent in the year	123	15	138
Released to income and expenditure account	(327)	(45)	(372)
<b>At 31<sup>st</sup> July 2015</b>	<b>4,904</b>	<b>541</b>	<b>5,445</b>

**17. MOVEMENT ON GENERAL RESERVES**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
<b>Income and expenditure account reserve</b>		
Retained reserves from prior years	2,909	2,810
Surplus retained for the period	510	(69)
Actuarial (loss) / gain in respect of pension schemes	(761)	168
<b>At 31<sup>st</sup> July 2015</b>	<b>2,658</b>	<b>2,909</b>
<b>Balance represented by:</b>		
Pension reserve	(2,843)	(2,020)
Income and expenditure account reserve excluding pension reserve	5,501	4,929
<b>At 31<sup>st</sup> July 2015</b>	<b>2,658</b>	<b>2,909</b>

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**NOTES TO THE ACCOUNTS (CONTINUED)**

**18. PENSIONS AND SIMILAR OBLIGATIONS**

The College's non-teaching staff are enrolled as members of the West Yorkshire Pension Fund (WYPF) which is a defined benefits scheme.

**Total pension cost for the year**

	2015 £'000	Total 2015 £'000
Teachers' Pension Scheme: Contributions paid		18
West Yorkshire Pension Fund:		
Contributions paid	461	
FRS17 charge	<u>162</u>	
Charge to the Income and Expenditure account		623
Enhanced pension charge to Income and Expenditure		<u>8</u>
<b>Total pension cost for year</b>		<b><u>649</u></b>

**Teachers' pension scheme**

**Introduction**

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

**The Teachers' Pension Budgeting and Valuation Account**

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

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

**NOTES TO THE ACCOUNTS (CONTINUED)**

**18. PENSIONS AND SIMILAR OBLIGATIONS (CONT.)**

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

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

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

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

**Scheme Changes**

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

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

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

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

The pension costs paid to TPS in the year amounted to £18K (2014: £37K).

**Financial Reporting Standard 17**

Under the definitions set out in FRS 17 Retirement Benefits, 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.

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**NOTES TO THE ACCOUNTS (CONTINUED)**

**18. PENSIONS AND SIMILAR OBLIGATIONS (CONT.)**

**Financial Reporting Standard 17 (Cont.)**

Accordingly, the College has taken advantage of the exemption under FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the deficit in the scheme and the implications for the College in terms of anticipated contribution rates.

Contributions amounting to £nil were payable to the scheme at the end of the financial period.

**West Yorkshire Pension Fund**

The WYPF is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the period ended 31 July 2015 was £725K of which employer's contributions totalled £461K and employees' contributions totalled £264K. The agreed contribution rates for future years are 10.7% for employers and range from 5.5% to 12.5% for employees, depending on salary. An additional monetary amount of £50,100 will be contributed to the scheme on the advice of the Actuary to assist in reducing the liability that exists within the fund.

**FRS 17 - Principal Actuarial Assumptions**

	At 31 July 2015		At 31 July 2014	
	WYPF funded benefits	WYPF unfunded benefits	WYPF funded benefits	WYPF unfunded benefits
Expected rate of salary increases	1.00%	n/a	1.00%	n/a
Future pension increases	2.10%	1.90%	2.20%	2.10%
Discount rate	3.60%	3.50%	4.10%	4.00%
Inflation assumption (CPI)	2.10%	1.90%	2.20%	2.10%
Commutation of pensions to lump sums	100%	n/a	100%	n/a

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.

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 2015	At 31 July 2014
<i>Retiring today</i>		
Males	22.6 years	22.5 Years
Females	25.5 years	25.4 Years
<i>Retiring in 20 years</i>		
Males	24.8 years	24.7 Years
Females	27.8 years	27.7 Years

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**NOTES TO THE ACCOUNTS (CONTINUED)**

**18. PENSIONS AND SIMILAR OBLIGATIONS (CONT.)**

**West Yorkshire Pension Fund (cont.)**

**FRS 17 - Principal Actuarial Assumptions (cont.)**

The estimated College's share of the asset and liabilities in the scheme were:

	At 31 <sup>st</sup> July 2015 Value £000	At 31 <sup>st</sup> July 2014 Value £000
Equities	6,191	5,171
Government Bonds	848	227
Corporate Bonds	375	709
Property	367	358
Cash	122	269
Other	254	151
<b>Total market value of assets</b>	<b>8,157</b>	<b>6,885</b>
<b>Present value of scheme liabilities</b>		
-Funded	(10,992)	(8,897)
-Unfunded	(8)	(8)
<b>Deficit in the scheme</b>	<b>(2,843)</b>	<b>(2,020)</b>

The adoption of FRS 102 in the next accounting period removes the requirement to recognise an expected return on assets item in the profit and loss charge. This item will be replaced with a net financing charge which is based on the discount rate assumption. As the expected return on assets is based on the assumption at the start of the accounting period, assumptions for the expected return on assets are not required at 31 July 2015.

**Analysis of the amount charged to income and expenditure account**

	2015 £000	2014 £000
Employer service cost (net of employee contributions)	623	537
Past service cost	-	-
<b>Total operating charge</b>	<b>623</b>	<b>537</b>

**Analysis of pension finance income**

Expected return on pension scheme assets	462	426
Interest on pension liabilities	(380)	(385)
<b>Pension finance income</b>	<b>82</b>	<b>41</b>

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**NOTES TO THE ACCOUNTS (CONTINUED)**

**18. PENSIONS AND SIMILAR OBLIGATIONS (CONT.)**

**West Yorkshire Pension Fund (cont.)**

Amount recognised in the statement of total recognised gains and losses ("STRGL"):

	2015 £000	2014 £000
Actuarial gain/(loss) on pension scheme assets	196	(196)
Actuarial (loss) / gain on scheme liabilities	(940)	369
<b>Actuarial (loss) / gain recognised in STRGL</b>	<b>(744)</b>	<b>173</b>
<b>Movement in deficit during the period</b>		
Deficit in scheme on 1 <sup>st</sup> August (previous year)	(2,020)	(2,070)
Movement in period		
- Employer service cost (net of employee contributions)	(623)	(537)
- Employer contributions	462	373
- Past service cost	-	-
- Net interest/return on assets	82	41
- Net benefits paid out	-	-
- Actuarial (loss) / gain	(744)	173
<b>Deficit in scheme at 31<sup>st</sup> July 2015</b>	<b>(2,843)</b>	<b>(2,020)</b>

The actual return on scheme assets was £658,000 (2014 - £230,000).

**Asset and Liability Reconciliation**

**Reconciliation of Liabilities**

	2015 £000	2014 £000
<b>Liabilities brought forward</b>	<b>8,905</b>	<b>8,257</b>
Service Cost	623	537
Interest Cost	380	385
Employee Contributions	265	211
Actuarial (gain) / loss	940	(369)
Benefits Paid	(113)	(116)
<b>Liabilities carried forward</b>	<b>11,000</b>	<b>8,905</b>

**Reconciliation of Assets**

	2015 £000	2014 £000
<b>Assets brought forward</b>	<b>6,885</b>	<b>6,187</b>
Expected return on assets	462	426
Actuarial gain/(loss)	196	(196)
Employer Contributions	462	373
Employee Contributions	265	211
Benefits Paid	(113)	(116)
<b>Assets at end of period</b>	<b>8,157</b>	<b>6,885</b>

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**NOTES TO THE ACCOUNTS (CONTINUED)**

**18. PENSIONS AND SIMILAR OBLIGATIONS (CONT.)**

**West Yorkshire Pension Fund (cont.)**

**Defined benefit pension scheme – experience gains and losses**

	2015 £000	2014 £000
Defined benefit obligation	(11,000)	(8,905)
Scheme assets	8,157	6,885
Deficit	(2,843)	(2,020)
Experience gains / (losses) on scheme liabilities	37	(139)
Experience gains / (losses) on scheme assets	196	(196)

**19. POST-BALANCE SHEET EVENTS**

In the period since 31 July 2015 no major events have taken place.

**20. CAPITAL COMMITMENTS**

	2015 £000	2014 £000
Commitments contracted for as at 31 <sup>st</sup> July 2015	<u>375</u>	<u>794</u>

**21. FINANCIAL COMMITMENTS**

At 31 July annual commitments under non-cancellable operating leases were as follows:

	2015 £000	2014 £000
Expiring within one year	2	-
Expiring within one an five years inclusive	39	40
Expiring in over five years	<u>29</u>	<u>19</u>
<b>Total</b>	<u>70</u>	<u>59</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. No transactions were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures

Transactions with the funding bodies are detailed in notes 2, 11, 12 and 16.

The directors consider that there are no other disclosures required under Financial Reporting Standard No 8 'Related Party Transactions', the Company having taken advantage of the exemption not to disclose transactions with members of the group.



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**NOTES TO THE ACCOUNTS (CONTINUED)**

**23. AMOUNTS DISBURSED AS AGENT**

**Learner Support Funds**

	2015 £000	2014 £000
Funding body grants – hardship support	75	106
Disbursed to students	(47)	(67)
Administration costs	(2)	(4)
<b>Balance unspent as at 31<sup>st</sup> July 2015</b>	<b>26</b>	<b>35</b>

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

**24. NOTES TO CASHFLOW STATEMENT**

**a) Reconciliation of Operating surplus to net cash inflow from operating activities**

	2015 £'000	2014 £'000
Deficit / surplus on continuing operations after depreciation of fixed assets	510	(69)
Depreciation of fixed assets	827	791
Deferred capital grants released to income	(372)	(451)
Loss on disposal of tangible fixed assets	8	16
Profit from disposal of interest in leasehold property	(357)	-
Endowment funds received / (spent)	3	(19)
Interest payable	156	183
FRS17 pension cost less contributions payable	162	164
FRS17 interest	(82)	(41)
Decrease / (increase) in stock	2	(1)
Increase in debtors	(16)	(67)
Decrease / (increase) in creditors	55	(275)
Decrease in provisions	9	10
<b>Net cash inflow from operating activities</b>	<b>905</b>	<b>241</b>

**b) Return on investment and servicing of finance**

	2015 £'000	2014 £'000
Interest element of finance lease repayments	(156)	(183)
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>(156)</b>	<b>(183)</b>

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NOTES TO THE ACCOUNTS (CONTINUED)

24. NOTES TO CASHFLOW STATEMENT (CONT.)

c) Capital expenditure and financial investment

	2015 £'000	2014 £'000
Purchase of tangible fixed assets	(1,126)	(754)
Increase in / (use of) endowment assets	(3)	19
Deferred capital grants received	138	117
Net proceeds from disposal of interest in leasehold property	357	-
Proceeds from sale of assets	-	22
<b>Net cash outflow for capital expenditure and financial investment</b>	<b>(634)</b>	<b>(596)</b>

d) Financing

	2015 £'000	2014 £'000
Capital element of finance lease payments	(20)	(17)
<b>Net cash outflow from borrowing</b>	<b>(20)</b>	<b>(17)</b>

e) Analysis of changes in net debt

	At 1 August 2014 £'000	Cash flows £'000	At 31 July 2015 £'000
Amount owed by Leeds City College (note 11)	1,674	41	1,715
Overdrafts	(2)	(1)	(3)
	1,672	40	1,712
Finance leases (note 14)	(2,669)	55	(2,614)
<b>Net debt</b>	<b>(997)</b>	<b>95</b>	<b>(902)</b>