

Leeds College of Art

Members' report and financial statements

For the year ended 31 July 2014

Members' report and financial statements

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Members' Report

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2014.

Legal status

Leeds College of Art is an independent specialist art institution established as a Higher Education Corporation.

The College has been a specialist provider of art and design education in the north of England for over 160 years. The College was established as a Further Education Corporation, under the Further and Higher Education Act 1992, on 1 April 1993. On 1 August 2011, the Secretary of State for Business, Innovation and Skills, in exercise of powers conferred under the Education Reform Act 1988, transferred the College to the higher education sector.

The College's mission as approved by the Board of Governors is:

Mission Statement

We are an influential, world-facing, creatively driven institution where professional educators, practitioners and researchers work together to develop and enable excellence. We aim to promote distinctive, critically informed and relevant practice in order to support economic growth and cultural advancement.

Value Statement

Our values define us and guide decision-making and behaviour.

We are:

- Student-centred:
Maximising potential, nurturing talent, respecting individuality, holistic.
- Focussed on specialist creative communities:
Collaborative, interactive, multi-disciplinary, studio-focussed, externally engaged.
- Critical in our thinking:
Aspirational, challenging, researching, questioning, analytical, innovative, independent thinking.
- Professional:
Relevant, contemporary, ambitious, achieving, international, employable, entrepreneurial, networked with industry.
- Progressive:
Beautiful, unconventional, risk-taking, experimental, radical, responsive.

Implementation of strategic plan

In July 2012, the College prepared strategic aims for the period to 2017. The Board of Governors monitors the performance of the College against these aims. The College's strategic aims are set out below:

Operating and Financial Review (continued)

- To provide student-centred teaching and learning in an environment which nurtures excellence, leads to graduate success, and supports economic growth and cultural enhancement.
- To develop our research practice and innovation which enhances teaching and learning.
- To consolidate our reputation as an influential art school, collaborating with others locally, nationally and internationally to support student success and cultural advancement.
- To ensure that we continue to deliver an academic portfolio which meets market needs and enables our students to achieve their potential.
- To further evolve a vibrant and professional culture which attracts and retains staff who actively engage in self-development and make a full contribution to the College community.
- To further develop an inclusive community which welcomes staff and students from a wide range of cultures and backgrounds.
- To generate new income sources and use existing funding effectively so that appropriate investment can take place and excellent facilities and services are provided for students and staff.

PUBLIC BENEFIT STATEMENT

Charitable Objects

The College is a Higher Education Corporation and, as such, is an exempt charity. The members of the Board of Governors are the trustees of the charity.

The Charities Act 2006 amended the Charities Act 1993 and made a number of important changes to the general law that applies to all charities, including exempt charities. The 1993 and 2006 Acts were consolidated in the Charities Act 2011, which came into effect on 14 March 2012. Under this legislation, the College as an exempt charity is required to demonstrate how its work is of public benefit. The Governors have taken consideration of the Charity Commissions' guidance on public benefit in determining the College's charitable objectives including its Mission and Strategy.

The College's charitable purpose as set out in the Education Reform Act 1988 is:

- (a) to provide higher education
- (b) to provide further education
- (c) to carry out research and to publish the results of the research or any other material arising out of or connected with it in such manner as the Corporation sees fit.

Beneficiaries

The main beneficiaries of Leeds College of Art are the current, prospective and graduating students. The College is one of only a few institutions to provide opportunity to progress from age 16 to postgraduate level. Students study in a thriving community of artists and designers, equipping them with the skills, expertise and capability to succeed. In 2013/14, the College offered 9 degree level programmes, 3 further education programmes at level three and one further education programme at level two. The College also offered its first postgraduate taught degree. The College had approximately 696 FE funded students, 1,107 full time undergraduate students and 14 part time and 3 full time postgraduate students. In addition there were around 700 students on full cost evening courses and 13 overseas students.

Operating and Financial Review (continued)

Removing barriers

The College supports students in a wide range of ways; from pastoral and learning support, to support for dyslexic students and students with other disabilities. Identification of the most appropriate strategies for students with disabilities is informed through diagnostic processes and reports for students receiving the Disabled Student Allowance (DSA), whilst students not on DSA are screened on their literacy skills in the first year of their programmes. This helps identify those who may benefit from additional learning support. At the point of application students who declare a disability are interviewed to determine the support and adjustments that may be required to assist their learning.

The cost of higher education can be a barrier to potential students and in 2013/14 the College distributed over £280,000 (through the bursary scheme) in funding to eligible students. In addition fee waivers totalling £456,000 were awarded to eligible students.

The College is keen to raise the aspirations of under-represented groups within the College and has a successful outreach and widening participation programme to engage with under-represented groups. The College continues to be a member of HEART (Higher Education Access Rewarding Transforming). During 2013/14 the College ran a number of taster days for students and adults from under-represented groups and these are augmented through targeted mentoring by students as appropriate.

Community

The College engages with the wider community in a number of different ways. The College's exhibition gallery organises a number of exhibitions each year that are open to the public. In May and June the College's end of year shows are open to the public, enabling the community, prospective students and the public to have an opportunity to view the work of our students. There is a comprehensive programme of creative short courses enabling the local community to have access to the excellent resources of the College. The College runs the successful Creative Networks events. Creative Networks is the biggest networking group of creative professionals in Yorkshire and has been developed to nurture creative talent and to foster partnerships and collaboration.

REVIEW OF PERFORMANCE

Financial results

	2014 £'000	2013 £'000
Income	13,397	12,687
Expenditure	(12,001)	(10,747)
	<u>1,396</u>	<u>1,940</u>

Income has increased in 2013/14 mainly as a result of the changes in the funding mechanisms for higher education. Two cohorts of higher education students paid higher fees of £8,750 and £8,250 respectively. This increase is partly offset by a significant reduction in direct grant funding. There was a slight increase in the numbers of higher education students in 2013/14. In further education, 2013/14 saw the introduction of loans for students aged 24 and over. Staffing costs have increased as a result of the adoption of the new salary scale following completion of the job evaluation exercise at the end of July 2013. Staff costs to income are 52.7%, in line with sector averages. Non-payroll costs have increased due to additional investments in marketing, infrastructure (long term maintenance) and costs connected to the College's strategic aim of gaining taught degree awarding powers.

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.

Operating and Financial Review (continued)

The College has a separate treasury management policy in place. Short term borrowing for temporary revenue purposes is authorised by the Principal.

Cash flows

The College had gross cash balances (including money market deposits) of £11.7 million at 31 July 2014 representing a cash inflow of £1.7 million during the year. Borrowings of £200,000 were repaid during the year.

Liquidity

The College had a current ratio of 7.6 at 31 July 2014 (2012/13: 8.9) representing a clear ability to meet liabilities as they fall due. Total borrowings of £0.6 million represent the balance of a ten year term loan expiring in 2017 that has been utilised to finance development and extension of the college premises.

Student satisfaction

The 2014 National Student Survey, a review of HE student satisfaction, shows that student satisfaction remains good. This is the fifth time the College has taken part in the National Student Survey. The results show that 80% of students, who responded to the survey, were satisfied with the overall student experience.

Student achievements

Our students have been very successful over the past year, entering and winning many competitions, both at home and abroad. A selection of these successes is set out below:-

- BA (Hons) Printed Textiles & Surface Pattern Design - Grizelda Kitching's wallpaper design was exhibited in Frankfurt
- Wool Yorkshire presented a collection of work from Leeds College of Art students and SIL Holdings in association with Harvey Nichols
- BA (Hons) Fashion students collaborated with the men's boutique store - Hip, Leeds
- BA (Hons) Visual Communication and The Tetley Feast collaborated with community organisations and The Tetley centre for contemporary art
- Undergraduate degree alumni have set up a brand new studio and project space in an old Victorian textiles mill in Armley
- BA (Hons) Printed Textiles & Surface Pattern Design students exhibited at Indigo in Paris
- BA (Hons) Visual Communication - fellow Maria Brzozowska had her illustration 'Eden' selected for an exhibition in Italy
- BA (Hons) Fine Art Alumni, Calum Paterson and Georgia Lucas-Going, curated an exhibition for an empty unit in Wakefield
- BA (Hons) Printed Textiles & Surface Pattern Design - Natalie Owen made the shortlist of the Ideal Wallpaper Design competition
- BA (Hons) Printed Textiles & Surface Pattern Design students won the 2014 Emerging Designer Competition and People's Choice award organised by Sofa
- BA (Hons) Printed Textiles & Surface Pattern Design - Natalie Hartell won a £750 bursary from The Textile Society

Operating and Financial Review (continued)

- BA (Hons) Fashion students recently completed a commission by the high street clothing chain Urban Outfitters
- Short Course students were selected by the V&A museum to exhibit their work at a London Gallery
- BA (Hons) Fashion student Elizabeth Knight won a national competition run by the luxury London shirt company Hawes & Curtis
- BA (Hons) Graphic Design student Samuel Hoh won the Patricia Tindale Legacy Award at the RSA Student Design Awards
- BA (Hons) Printed Textiles & Surface Pattern Design - two students took the top awards at New Designers:
 - Charlotte Beevor has won the much coveted New Designer of the Year Award with her piece 'Expressionist Colour'
 - There was also success for Gemma Curtis who won the Wilko Award for Innovation with her 'Surface Pattern Design' project
- Alumna Jessica Bunyard was selected for Bloomberg New Contemporaries 2014. Jessica studied the Foundation Diploma in Art and Design from 2009 - 2010 and has been selected as one of 55 artists to join the roster of Bloomberg New Contemporaries
- BA (Hons) Graphic Design - In March 2014 Level 6 students Martin O'Dea and Andy Foster moved into the College's incubation space at Duke Studios to develop their graphic design and illustration studio Hungry Sandwich Club. In the past three months they have been commissioned to work on Le Grand Depart, to rebrand a craft beer and to design illustrations for Colours May Vary. They have just won Best in Show at D&AD for a collaborative piece mixing print and digital.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force 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 per cent. During the accounting period 1 August 2013 to 31 July 2014, the College paid all approved and authorised invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Future Developments

Following the changes the Government has made to the way higher education will be funded; the College will charge £9,000 per year for full time HE Home and EU students for 2014 entry. As a specialist institution in art & design the College invests in a high level of dedicated resource to enhance the student experience. There will be a range of financial support packages available to reduce the tuition fee for approximately 37% of students in their first year.

There will be challenges ahead for all institutions but we have a long history of providing art and design education and are in an excellent position to face these challenges. Our priorities are, and will continue to be, to exceed students' expectations and to prepare them for successful futures. The accumulated cash balances will be used to invest in the College's estate and provide additional facilities for students.

Operating and Financial Review (continued)

Significant investment will be made on developing and maintaining attractive, sustainable studio space to support high quality teaching. A new building at the Blenheim Walk site is planned to be completed in the next 3 years.

The funding for further education will reduce in 2015/16 as a result of changes to the funding of 18 year olds.

Outlook

The College is forecasting a good surplus for 2014/15 whilst maintaining the investment in infrastructure, digital technology and improvements in IT. The strategic priorities include, gaining Taught Degree Awarding Powers, consolidating our reputation as an influential art school, and growing non-publicly funded income streams.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives, these include:

Financial

The College has £19.9 million of net assets (including £1.9 million pension liability) and long term debt of £0.6 million.

Reputation

The College has a good reputation, both locally and nationally. Maintaining a quality brand is essential to the College's success in attracting students.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

The Senior Management Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Senior Management Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College both before and after the application of controls and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Government funding

The College has considerable reliance on continued government funding through the education sector funding bodies. In 2013/14, 41% of the College's revenue was publicly funded via direct grants. The basis of funding higher education changed fundamentally in 2012/13. Direct government funding has reduced and the College is increasingly dependent upon students paying increased student fees.

Operating and Financial Review (continued)

The market for HE students is expected to become more competitive particularly from 2015/16 when the student number control is removed. In December 2013, the government announced that the funding rate for 18 year olds in Further Education will reduce from £4,000 to £3,300 in 2015/16. This will have a substantial impact on the College as over 50% of learners in further education are 18.

Leeds College of Art is addressing the issues arising from these changes in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students;
- By investing in the student experience;
- By exceeding students' expectations and preparing them for successful futures;
- Close monitoring of the demand for courses as prices increase;
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies;
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding;
- Regular dialogue with the funding bodies.

2. The need to maintain adequate funding of pension liabilities

The financial statements report the share of the West Yorkshire Pension Fund deficit on the College's balance sheet in line with the requirements of FRS 17. The Government introduced new benefit changes to all Local Government Pension Schemes from April 2014. The College will continue to monitor the impact of these changes.

3. Financial Sustainability

The College receives no capital funding for its further education provision and capital funding from HEFCE has been significantly reduced in the last 36 months. It is essential for financial sustainability to generate adequate surpluses to invest in capital equipment and infrastructure. The cap on HE fee levels means there is a risk that costs (in particular staff costs) increase at a higher rate than income. The College manages all costs very carefully but recognises some aspects of the cost base, such as national pay awards and pension costs are largely outside its control.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Leeds College of Art has many stakeholders. These include:

- Students;
- Education Sector Funding Bodies;
- Validating Bodies;
- Staff;
- Employers;
- Leeds City Council;
- The local community;
- Other FE and HE institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

Operating and Financial Review (continued)

Equality, Diversity and Inclusion

The College is committed to ensuring all those who can benefit from studying, working or visiting here are not disadvantaged and we strive to remove physical and non physical barriers that may prevent prospective students, students, staff and visitors from fully engaging in the College. During the last year the College achieved the Investors in Diversity 'kite mark'. The Equality policy will be resourced, implemented and monitored on a planned basis and published on the College's intranet site.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees. An equalities and inclusion report is published each year and scrutinised by managers and governors.

Disability statement

The College seeks to achieve the objectives set out in the Equality Act 2010:

- As part of its accommodation strategy the College updated its access audit.
- The College's Student Advice department and the Health and Safety Officer provide information, advice and arrange support where necessary for students with disabilities.
- There is a list of specialist equipment, such as dyslexia software, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- There is an admissions policy for all students and appeals against a decision not to offer a place are dealt with under the admissions appeals policy.
- The College 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.
- Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- Counselling and welfare services are described in the Student Handbook, which is issued to students.

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 Board of Governors on 26 November 2014 and signed on its behalf by:



P Yendell

Chairman

Professional advisers

Financial statements and regularity auditors:

KPMG LLP
1 The Embankment,
Neville Street
Leeds
LS1 4DW

Internal auditors:

Baker Tilly
Springfield House
76 Wellington Street
Leeds
LS1 2AY

Bankers:

Lloyds TSB Bank Plc
31-32 Park Row
Leeds
LS1 5JT

Solicitors:

Gordons LLP
Riverside West
Whitehall Road
Leeds
LS1 4AW

Walker Morris LLP
Kings Court
12 King Street
Leeds
LS1 2HL

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. The Board of Governors has adopted the Committee of University Chairs' model Governance Code of Practice and Statement of Primary Responsibilities. In addition, the summary below describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012. Its purpose is to help the reader of the accounts understand how the principles have been applied. In the opinion of the governors, the College complies with the provisions of the UK Corporate Governance Code, in so far as they can be considered to apply to the higher education sector, throughout the year ended 31 July 2014. Where governance practices are not consistent with these documents, this is stated below.

The Board of Governors

The members who served on the Board of Governors to 31 July 2014 and up to the date of this report were as follows:

Name	Date of appointment	Term of office ends	Date of resignation	Status of appointment	Committees served
Mr S Aal	13.06.12 (r)	31.08.13		Co-opted Student	
Mr M Bates	16.10.13	15.10.17		Academic Board nominee	
Mr C Clements	01.08.14 (r)	31.07.18		Independent	Audit (Chair), Remun.
Ms E Cook	01.07.14	<i>Ex officio</i>		Students' Union President	
Prof. S Congdon	10.07.13	09.07.17		Co-opted (Education)	
Dr S Cottrell	10.07.13 (r)	12.06.16		Independent	Search, Remun, (Deputy Chair)
Ms J Eugene	17.07.12 (r)	16.07.16	04.09.13	Independent	
Mr J Finnigan	17.09.14	16.09.18		Independent	Audit
Mr J Flathers	24.11.11 (r)	23.11.15		Independent	Search (Chair), Remun.
Ms A Handa	22.01.14	21.01.18		Independent	
Mr T Hoare	28.11.12	<i>Ex officio</i>	30.6.14	Students' Union President	
Ms J Jones	01.08.11	20.07.14	20.7.14	Independent	Audit (Chair), Remun.
Ms I Kemp	01.08.11	20.07.14	20.7.14	Independent	Audit
Mr R Miles	30.01.13	29.01.17		Elected Staff	
Mr N Ramshaw	16.10.13	15.10.17		Independent	
Mr D Reid	17.09.14	16.09.18		Independent	Audit
Ms S Wonnacott	01.06.09	<i>Ex officio</i>		Principal	Search, Remun.
Mr I Wood	28.11.12 (r)	05.02.16		Independent	
Ms L Wood	22.01.14	31.08.15		Co-opted Student	
Ms C Wright	01.08.13 (r)	31.07.17		Independent	Audit
Mr P Yendell	17.07.12 (r)	16.07.16		Independent	Search, Remun, (Chair)

KEY: (r) = date of re-appointment. Audit = Audit Committee. Search = Search & Nominations Committee, Remun. = Remuneration Committee

Statement of Corporate Governance and Internal Control (continued)

Appointments to the Board of Governors

The College was transferred from the Further Education (FE) to the Higher Education (HE) sector on 1 August 2011 by the Secretary of State for Business, Innovation and Skills. Ten Independent members of the Board of Governors were appointed by the Secretary of State from 1 August 2011 including Mr C Clements, Ms J Eugene, Mr J Flathers, Ms J Jones, Ms I Kemp, Mrs C Wright and Mr P Yendell. Appointments and re-appointments since 1 August 2011 have been made by the Board of Governors or by the Independent members of the Board of Governors, as required by the Instrument of Government.

Membership of the first Independent and Co-opted members of the Board of Governors of the HE Corporation was for 4 years or until the date at which their membership of the FE Corporation would have ended had the College not transferred to the HE sector, if that was sooner. The Principal, Ms S Wonnacott, and the nominated and elected Student Union President are ex officio members of the Board of Governors. Members of the Board of Governors are appointed for a term of office not exceeding 4 years and normally serve for 2 terms. The Chair and Deputy Chair of the Board of Governors are elected annually. During the period under review, Mr Peter Yendell served as Chair and Dr Stella Cottrell as Deputy Chair of the Board of Governors.

Ms K Woods, who was not a member of the Board of Governors, was appointed as an external co-opted member of the Audit Committee of the FE Corporation on 16 December 2009. She was appointed as an external co-opted member of the Audit Committee of the HE Corporation on 1 August 2011 and retired on 31 July 2014. Mr C Clements, who was an Independent member of the Board of Governors and a member of the Audit Committee to 31 July 2013, became a co-opted member of the Audit Committee from 1 August 2013 to 31 July 2014. He was re-appointed for a second term of office as an Independent member of the Board of Governors and a full member of the Audit Committee from 1 August 2014. Ms J Jones retired from the Board of Governors and membership of the Audit and Remuneration Committees on 20 July 2014 at the end of her first term of office, being re-appointed as a co-opted Audit Committee member from 21 July 2014.

Corporate Governance Statement

The College's governance framework is established in the Instrument and Articles of Government. Amendments to these documents require the approval of both the Board of Governors and the Privy Council. It is the Board of Governors' responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board of Governors is provided with regular and timely information on the overall financial performance of the College, including reports against funding targets and proposed capital expenditure. Regular reports are received on performance against key financial and academic performance indicators and at least annual reports are received on the following areas; equality and diversity; health and safety; human resources; safeguarding children and vulnerable adults. Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board of Governors' meetings.

The Board of Governors has appointed Ms F Bagchi as the Clerk to the Board of Governors. In this capacity, she provides independent advice to the Board of Governors on matters of governance. She holds no other managerial responsibilities within the College.

The Board of Governors operates a Carver-style governance model. Key features and aims of the model adopted by the Board included: retention of key decision making at full Board level; governing through clear written governance policies and instructions; ensuring clear delegation; governing through the setting and monitoring of clear performance criteria; holding the Principal and CEO accountable for carrying out the Board's instructions and achieving its approved key performance indicators; removing duplication of discussion through reduction in the number of Board committees.

During 2013/14, the Board of Governors held 6 formal Board meetings and 3 Governor training/development sessions. The Board of Governors also conducted its business through 3 committees: the Audit Committee, the Search and Nominations Committee and the Remuneration Committee. Each committee had terms of reference, which had been approved by the Board of Governors. Membership of these committees during the year to 31 July 2014 and to the date of signing of the accounts is as shown in the table above.

Statement of Corporate Governance and Internal Control (continued)

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

Leeds College of Art
Blenheim Walk
Leeds
LS2 9AQ
Email: fiona.bagchi@leeds-art.ac.uk

The Clerk to the Board of Governors 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, who is responsible to the Board of Governors for ensuring compliance with all applicable procedures and regulations. The appointment, grading, suspension, dismissal and determination of pay and removal of the Clerk are matters for the Board of Governors as a whole.

The Board of Governors has a strong and independent non-executive element and no individual or group dominates its decision making process. The Board of Governors 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 of the Governors and Principal of the College are separate.

The Governance Code of Practice requires the results of governance effectiveness reviews and the College's performance against key performance indicators to be published widely, including on the internet and in the College's annual report. The Board of Governors continued to develop its practice with reference to this requirement in 2013/14. In addition to its review of the effectiveness of its trial of a Carver-style model of governance, the Board of Governors reviewed its effectiveness using an annual self-assessment survey based on a model produced by the Leadership Foundation for Higher Education. Board effectiveness was also measured against the Governance Code of Practice and the Statement of Primary Responsibilities and a table was published on the College website detailing the Board's performance.

In approving Governor role descriptions in 2012/13, the Board made a commitment to develop the appraisal/ review process for individual Governors, including the Chair and Deputy Chair, and the first reviews were undertaken in 2014. The Board's committees review their effectiveness annually using performance checklists. A report on a review of the effectiveness of the Academic Board and its committees during 2012/13, and resultant changes to their structure, was received by the Board of Governors. In reviewing its performance, the Board of Governors also reflected, at each of its meetings, on the performance of the College through consideration of key performance indicators derived from the College's Strategic Plan. Discussions of the above reviews were published in the minutes of the Board of Governors and its committees.

Search and Nominations Committee

Under the Instrument of Government, any new appointments to the Board of Governors are a matter for the consideration of the Board of Governors as a whole or, in certain circumstances, the Independent members. The Board of Governors has a Search and Nominations Committee comprised of five members of the Board of Governors which, is responsible for the selection of new members, other than the Principal and the nominated/elected staff and student members, for recommendation to the Board of Governors. Candidates for appointment to the Board of Governors are sought through election, nomination or targeted advertising, dependent on the type of vacancy.

Statement of Corporate Governance and Internal Control (continued)

The Board of Governors' approved Recruitment and Appointment Procedure states that, in identifying candidates for recommendation to the Board, the Search and Nominations Committee will: take into account the need to establish and maintain an appropriate balance of membership among the Board; so far as is possible, ensure that the Board is representative of the community which it serves, having regard to the College's equality and diversity policies; seek to ensure that the Board maintains a balance of skills, knowledge and experience among its membership which enables it to carry out its responsibilities as set out in the Articles of Government. The Committee discharges these responsibilities by reviewing at each of its scheduled meetings the Board's skills audit and data relating to gender and Black and Minority Ethnic (BME) representation on the Board.

The 2013 *WomenCount: Leaders in Higher Education* survey recorded that women made up 32% of HE governing bodies overall. During 2013/14, the Search & Nominations Committee sought to ensure that there was equal gender representation on the College's Board of Governors, with female representation varying between 46% in October 2013 and 53% in June 2014, returning to 50% in July 2014. During 2013, around 58% of the College's staff, 69% of HE students and 73% of FE students were female. BME representation on the Board was around 7% in 2012/13, falling to 0% in September 2013 and returning to around 7% from January 2014, which was similar to the 2013 percentage of staff from BME groups (around 8%) but lower than the 2013 percentage for the College's HE and FE students (around 9% and 16% respectively). The Committee will continue to seek to address any under-representation on the Board of Governors when searching for new Governors during 2014/15.

The Governance Code of Practice adopted by the Board states that the Chair of Governors will normally chair the Search and Nominations Committee. While Mr P Yendell, the Chair of the Board of Governors, is a member of the Committee, he has chosen not to chair the Committee to allow opportunities for other Governors to exercise chairmanship. The Committee was therefore chaired during the year to 31 July 2014 by Mr J Flathers, an Independent Governor and member of the Committee.

Audit Committee

The Audit Committee comprises four members of the Corporation and an external co-opted member. In order to ensure the independence and objectivity of the Audit Committee, the following may not be members of the Committee: the Chair of Governors and those with significant interests in or executive responsibility for the management of the College e.g. the Principal. The Committee operates in accordance with written terms of reference approved by the Board of Governors.

Its purpose is to advise the Board of Governors on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control, governance processes and arrangements for promoting economy, efficiency and effectiveness (value for money) and the management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, HEFCE and other funding bodies.

In March 2014, the Audit Committee reviewed, for information, the College's first Transparent Approach to Costing (TRAC) return to HEFCE which had been made in January 2014, the Board of Governors having delegated the review of the TRAC Statement of Requirements Compliance to the College's senior management team (SMT) in November 2014.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and financial statement 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 Higher Education Funding Council for England (HEFCE), as they affect the College's business.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes and arrangements for promoting value for money and the management and quality assurance of data submitted to the Higher Education Statistics Agency, HEFCE and other funding bodies in accordance with an agreed plan and report their findings to management and the Audit Committee.

Statement of Corporate Governance and Internal Control (continued)

Management is responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented. Implementation is monitored by the Audit Committee. The Audit Committee also advises the Board of Governors on the appointment of internal and external auditors and their remuneration for both audit and non-audit work.

Remuneration

The Board of Governors agreed terms of reference for a Remuneration Committee in November 2013, with delegated power to determine the remuneration of the Principal and other designated senior post-holders. Before November 2013, senior post-holder remuneration was determined by the Board of Governors. The Remuneration Committee has 5 ex officio members i.e. the Chair and Deputy Chair of the Board of Governors, the Chair of the Audit Committee, the Chair of the Search & Nominations Committee, and the Principal.

The members of the Board of Governors (other than the Principal, the staff members and, from 1 July 2014, the sabbatical Students' Union President) did not receive any payment in 2013/14 from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Details of payments made for the year ended 31 July 2014 to designated senior post-holders and members of the Board of Governors are set out in note 6 to the financial statements.

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

Internal Control

Scope of responsibility

The Board of Governors 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 of Governors has delegated the day-to-day responsibility to the Principal, as Accountable Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and its funding bodies. She is also responsible for reporting to the Board of Governors any material weaknesses or break-downs 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 ongoing process designed to identify and prioritise the risks to the achievement of College 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 Art for the year ended 31 July 2014 and up to the date of approval of the annual report and financial statements.

Statement of Corporate Governance and Internal Control (continued)

The risk and control framework

The system of internal control is based on a framework of regular management information, administration 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 of Governors
- Regular reviews by the Board of Governors 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
- The adoption of formal project management disciplines, where appropriate

The College has an internal audit service, which operates in accordance with requirements of the Audit Code of Practice of HEFCE. 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 of Governors on the recommendation of the Audit Committee.

As a minimum, the Internal Auditors annually provides the Board of Governors with a report on internal audit activity in the College. The report includes the Internal Auditors' independent opinion on the adequacy and effectiveness of the College's system of risk management, controls, governance processes and arrangements for promoting value for money and the management and quality assurance of data submitted to the Higher Education Statistics Agency, HEFCE and other funding bodies.

Review of effectiveness

As Accountable Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's 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
- Comments made by the College's external auditors

The Principal has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and 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 of Governors' Audit Committee agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team, reporting to the Board of Governors through its minutes, its annual report and the annual presentation of the College's risk register. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2014 meeting, the Board of Governors carried out the annual assessment for the year ended 31 July 2014 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2014.

Statement of Corporate Governance and Internal Control (continued)

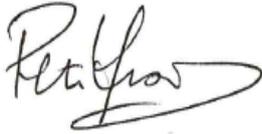
Capacity to handle risk

The Board of Governors 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 of Governors is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Governors.

Going Concern

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

Approved by order of the members of the Board of Governors on 26 November 2014 and signed on its behalf by:



P Yendell
Chairman



S Wonnacott
Principal

Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England and the Board of Governors of the College, the Board of Governors, through its Principal, is required to prepare financial statements for each financial year in accordance with the Education Reform Act 1988, the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP), and applicable UK law and relevant accounting standards which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and to 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 taking steps that are reasonably open to it to safeguard assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of Leeds College of Art website is the responsibility of the governing body 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 Board of Governors 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 Higher Education Funding Council for England are used only in accordance with the Financial Memorandum, that funds from the Skills Funding Agency, the Young People's Learning Agency and the Education Funding Agency are used only in accordance with relevant funding agreements, and any other conditions that may be prescribed by funding bodies from time to time. Members of the Board of Governors must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Board of Governors are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds are not put at risk.

Approved by order of the members of the Board of Governors on 26 November 2014 and signed on its behalf by:



P Yendell
Chairman

Independent auditor's report to the Board of Governors of Leeds College of Art

We have audited the financial statements of Leeds College of Art for the year ended 31 July 2014 set out on pages 20 to 44. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Board of Governors in accordance with paragraph 8.1 of the College's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors 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 Board of Governors for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Governors and auditor

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on page 17, the Board of Governors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the College as at 31 July 2014 and of its income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been prepared properly in accordance with the United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Independent auditor's report to the Board of Governors of Leeds College of Art (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the Statement of Corporate Governance and Internal Control is inconsistent with our knowledge of the College.



Clare Partridge
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds, LS1 4DW
27 November 2014

**Income and expenditure account
for the year ended 31 July 2014**

	<i>Note</i>	2014 £'000	2013 £'000
Income			
Funding body grants	2	5,533	6,579
Tuition fees and education contracts	3	7,584	5,763
Other income		180	210
Investment income	4	100	135
		<hr/>	<hr/>
Total income		13,397	12,687
		<hr/> <hr/>	<hr/> <hr/>
Expenditure			
Staff costs	5	7,060	6,465
Other operating expenses	7	4,053	3,462
Depreciation	10	881	802
Interest and other finance costs	8	7	18
		<hr/>	<hr/>
Total expenditure		12,001	10,747
		<hr/> <hr/>	<hr/> <hr/>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		1,396	1,940
		<hr/> <hr/>	<hr/> <hr/>
Taxation	9	-	-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and tax	18	1,396	1,940
		<hr/> <hr/>	<hr/> <hr/>

The income and expenditure account is in respect of continuing activities.
The notes on pages 24-44 form part of these financial statements.

Statement of total recognised gains and losses

	<i>Note</i>	2014 £'000	2013 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax		1,396	1,940
Actuarial gain in respect of pension scheme	15, 19	663	509
		<hr/>	<hr/>
Total recognised gains since the last report		2,059	2,449
		<hr/> <hr/>	<hr/> <hr/>

	2014 £'000	2013 £'000
Reconciliation		
Opening reserves	15,905	13,456
Total recognised gains for the year	2,059	2,449
	<hr/>	<hr/>
Closing reserves	17,964	15,905
	<hr/> <hr/>	<hr/> <hr/>

Statement of historical cost surpluses and deficits

		2014 £'000	2013 £'000
Surplus on continuing operations before and after taxation		1,396	1,940
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	17	99	99
		<hr/>	<hr/>
Historical cost surplus for the year before and after taxation		1,495	2,039
		<hr/> <hr/>	<hr/> <hr/>

Balance sheet
as at 31 July 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	10	11,935	11,884
		<hr/>	<hr/>
Current assets			
Stock		56	61
Debtors	11	240	266
Short term investments		6,000	5,000
Cash at bank and in hand		5,673	5,020
		<hr/>	<hr/>
		11,969	10,347
		<hr/>	<hr/>
Creditors: Amounts falling due within one year	12	(1,573)	(1,155)
		<hr/>	<hr/>
Net current assets		10,396	9,192
		<hr/>	<hr/>
Total assets less current liabilities		22,331	21,076
		<hr/>	<hr/>
Creditors: Amounts falling due after more than one year	13	(400)	(600)
		<hr/>	<hr/>
Provisions for liabilities and charges	15	(70)	(78)
		<hr/>	<hr/>
Net assets excluding pension liability		21,861	20,398
		<hr/>	<hr/>
Net pension liability	19	(1,937)	(2,392)
		<hr/>	<hr/>
Net assets including pension liability		19,924	18,006
		<hr/> <hr/>	<hr/> <hr/>
		<hr/>	<hr/>
Deferred capital grants	16	1,960	2,101
Reserves			
Revaluation reserve	17	3,141	3,240
Income and expenditure account excluding pension reserve	18	16,760	15,057
Pension reserve	19	(1,937)	(2,392)
		<hr/>	<hr/>
Total Funds		19,924	18,006
		<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 20 to 44 were approved by the Corporation on 26 November 2014 and were signed on its behalf by:



P Yendell
Chairman



S Wonnacott
Principal

**Cash flow statement
for the year ended 31 July 2014**

	<i>Note</i>	2014 £'000	2013 £'000
Cash flow from operating activities	20	2,668	2,525
Returns on investments and servicing of finance	22	77	130
Capital expenditure and financial investment	22	(892)	(405)
		<hr/>	<hr/>
Net cash flow before management of liquid resources and financing		1,853	2,250
Management of liquid resources	22	(1,000)	-
Financing	22	(200)	(200)
		<hr/>	<hr/>
Increase in cash	21	653	2,050
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of net cash flow to movement in net funds

	2014 £'000	2013 £'000
Increase in cash in the period	653	2,050
Increase in short term investments	1,000	-
Repayment of borrowings	200	200
	<hr/>	<hr/>
Movement in net funds in period	1,853	2,250
Net funds at 1 August	9,220	6,970
	<hr/>	<hr/>
Net funds at 31 July	11,073	9,220
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts

1 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 2007 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and in accordance with applicable Accounting Standards.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Going concern

The activities of the College, 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 the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £0.6m of loans outstanding with bankers on terms negotiated in 2007. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Accordingly the College has a reasonable expectation that it 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.

Basis of consolidation

The College has no subsidiary or associated undertakings. In accordance with FRS2, the activities of the student union have not been consolidated because the College does not control those activities.

Recognition of income

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account. Funding body recurrent grants are 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 for the adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments. Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets. Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or 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.

Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Bursaries and scholarships made via payments are accounted for gross as expenditure and not deducted from income. Fee waiver scholarships are deducted from the gross fee.

Notes (continued)

1 Statement of accounting policies (continued)

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

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 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 assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Further details of the pension schemes are given in note 19.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing 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

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of 40 to 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

On adoption of FRS 15, the College followed the transitional provisions to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Notes (continued)

1 Statement of accounting policies (continued)

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.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any 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:

- Market value of the fixed asset has subsequently improved
- Assets capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the assets life beyond that conferred by repairs and maintenance

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.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Inherited equipment is depreciated on a straight line basis over its remaining useful economic life to the College. All other equipment is depreciated over its useful economic life as follows:

Motor vehicles and general equipment	-	3 years
Computer equipment	-	3-5 years
Furniture and fittings	-	5-20 years

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.

Leased assets

The college has no finance leases. Rents payable under operating leases are charged to the income and expenditure account as incurred.

Notes (continued)

1 Statement of accounting policies (continued)

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 stocks.

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 year 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 2011 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 Chapter 3 Part 11 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 generally unable to recover input VAT it suffers on goods and services purchased. 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.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks.

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.

Cash

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 27 except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Notes (continued)

2	Funding body grants	2014	2013
		£'000	£'000
	Recurrent grant		
	- Further education funding bodies	3,462	3,447
	- HEFCE	1,885	2,920
	Deferred Capital Grant		
	- Further education funding bodies	84	86
	- HEFCE	102	122
	- Other	-	4
		<hr/>	<hr/>
		5,533	6,579
		<hr/> <hr/>	<hr/> <hr/>
3	Tuition fees and education contracts	2014	2013
		£'000	£'000
	HE - Full time home and EU students	7,025	5,265
	HE - Part time home and EU students	29	19
	HE - Full time international students	80	77
	FE students - home and EU students	175	119
	FE students - international students	17	29
	Full cost courses and education contracts	258	254
		<hr/>	<hr/>
		7,584	5,763
		<hr/> <hr/>	<hr/> <hr/>
4	Investment income	2014	2013
		£'000	£'000
	Other interest receivable	81	135
	Pension finance income	19	-
		<hr/>	<hr/>
		100	135
		<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the group (including senior post holders) during the year, expressed as full-time equivalents, was as follows:

	2014	2013
	Number	Number
Teaching staff	120	115
Teaching support staff	35	32
Administration staff	41	38
Premises and Maintenance	14	15
	210	200
	210	200

The numbers above do not include estimates of the staff numbers employed through contracting out arrangements

Staff costs for the above persons were as follows:

	2014	2013
	£'000	£'000
Wages and salaries	5,818	5,332
Social security costs	392	349
Other pension costs (including FRS 17 adjustments - £221,000 2012: £215,000)	850	784
	7,060	6,465
	7,060	6,465

Included in the total above are restructuring costs related to redundancy of £13,096 (2013:£71,484).

Notes (continued)

The number of staff, including senior post-holders and the Principal, who received emoluments (including pension costs) in the following ranges was:

	2014 Number of senior post- holders	2014 Number of other staff	2013 Number of senior post- holders	2013 Number of other staff
£60,001 to £70,000	-	1	-	-
£70,001 to £80,000	-	-	-	2
£80,001 to £90,000	-	2	1	-
£90,001 to £100,000	1	-	-	-
£130,001 to £140,000	-	-	1	-
£150,001 to £160,000	1	-	-	-

6 Emoluments of senior post holders and members

- Senior post-holders are the Principal, Director of Finance and Clerk to the Board of Governors.

	2014 Number	2013 Number restated
The number of senior post-holders including the Principal was	3	3

Senior post-holders' emoluments are made up as follows:

	2014 £'000	2013 £'000
Salaries	244	216
Pension contributions	29	26
	<u>273</u>	<u>242</u>

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

	2014 £'000	2013 £'000
Salaries	138	122
Pension contributions	16	15
	<u>154</u>	<u>137</u>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Local Government Pension Scheme.

The Board of Governors (other than the Principal) did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. The amounts paid to or on behalf of the trustees during the year were £1,053 (2012/13: £nil)

Notes (continued)

7 Other operating expenses

	2014	2013
	£'000	£'000
Academic Departments	751	697
Academic Service	281	225
Central Administration	901	668
General Educational	771	815
Staff and Student Services	30	22
Repairs and Maintenance	615	352
Premises costs	704	683
	4,053	3,462
Other operating expenses include:		
Auditors remuneration:		
External Auditors remuneration		
- Financial statements audit	16	18
- Other	1	2
Internal Auditors remuneration	12	12
Operating lease rentals		
- plant and machinery	18	15
- other	119	119
	119	119

8 Interest payable

	2014	2013
	£'000	£'000
On bank loans and overdrafts:		
Repayable within 5 years	4	5
Pension finance costs	3	13
	7	18
	7	18

9 Taxation

The College was not liable for any corporation tax arising out of its activities during either period.

Notes (continued)

10 Tangible fixed assets

	Freehold land and buildings £'000	Assets under construction £'000	Equipment £'000	Total £'000
<i>Cost or valuation</i>				
At 1 August 2013	16,150	-	4,073	20,223
Additions	53	552	339	944
Disposals	-	-	(229)	(229)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2014	16,203	552	4,183	20,938
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Accumulated depreciation</i>				
At 1 August 2013	5,228	-	3,111	8,339
Charge for year	462	-	419	881
Eliminated in respect of disposals	-	-	(217)	(217)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2014	5,690	-	3,313	9,003
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>				
At 31 July 2014	10,513	552	870	11,935
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2013	10,922	-	962	11,884
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The transitional rules set out in FRS 15 *Tangible Fixed Assets* have been applied. Accordingly the book values at implementation have been retained.

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Staintons, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings and equipment with a net book value of £5,101,482 (2013: £5,342,232) have been partly financed from exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the financial memorandum with the Council, to surrender the proceeds.

If inherited land and buildings had not been valued they would have been included at the following amounts: Cost and net book value, nil.

Notes (continued)

11 Debtors

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Trade debtors	15	34
Other debtors	18	17
Prepayments and accrued income	207	215
	<u>240</u>	<u>266</u>

12 Creditors: Amounts falling due within one year

	2014 £'000	2013 £'000
Bank loans and overdrafts	200	200
Trade creditors	196	138
Other creditors	116	38
Accruals and deferred income	959	704
Payments on account	22	-
Other amounts owed to Skills Funding Agency and EFA/YPLA	80	75
	<u>1,573</u>	<u>1,155</u>

13 Creditors: Amounts falling due after more than one year

	2014 £'000	2013 £'000
Bank Loan	400	600

Notes (continued)

14 Analysis of borrowings

Bank loans and overdrafts

	2014 £'000	2013 £'000
Bank loans and overdrafts are repayable as follows:		
Within one year	200	200
Between one and two years	200	200
Between two and five years	200	400
	<u>600</u>	<u>800</u>

The College has an unsecured loan facility of £3m. The loan may be offset against the amount held in the current account and bears interest at 0.53%. The bank loan is repayable in instalments falling due between 1 August 2011 and 31 July 2017.

15 Provisions for liabilities and charges

	Total £'000
At 1 August 2013	78
Expenditure in the period	(5)
Interest cost	3
Actuarial Gain	(6)
	<u>70</u>
At 31 July 2014	<u>70</u>

The provision relates to enhanced pension costs financed internally by the College.

16 Deferred capital grants

	HEFCE		Other		Total
	Buildings £'000	Equipment £'000	Buildings £'000	Equipment £'000	£'000
As at 1 August 2013	296	187	1,612	6	2,101
Cash received	-	45	-	-	45
Released to income and expenditure account:	(31)	(71)	(83)	(1)	(186)
	<u>265</u>	<u>161</u>	<u>1,529</u>	<u>5</u>	<u>1,960</u>
At 31 July 2014	<u>265</u>	<u>161</u>	<u>1,529</u>	<u>5</u>	<u>1,960</u>

Notes (continued)

17 Revaluation reserve

	2014 £'000	2013 £'000
At 1 August	3,240	3,339
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	(99)	(99)
At 31 July	<u>3,141</u>	<u>3,240</u>

18 Movement on general reserves

	2014 £'000	2013 £'000
At 1 August	12,665	10,117
Surplus on continuing operations after depreciation of assets at valuation and tax	1,396	1,940
Transfer from revaluation reserve to income and expenditure account	99	99
Actuarial gain in respect of pension scheme	663	509
At 31 July	<u>14,823</u>	<u>12,665</u>

Balance represented by

	2014 £'000	2013 £'000
Pension reserve	(1,937)	(2,392)
Income and expenditure account excluding pension reserve	16,760	15,057
	<u>14,823</u>	<u>12,665</u>

Notes (continued)

19 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS):

Total pension cost for the year	2013/14		2012/13	
	£000	£000	£000	£000
Teachers' Pension Scheme: contributions paid		388		336
Local Government Pension Scheme:				
Contributions paid	241		233	
FRS 17 charge	221		215	
Local Government Pension Scheme		462		448
		<hr/>		<hr/>
Total Pension Cost - Charge to the Income and Expenditure Account (staff costs)		850		784
		<hr/> <hr/>		<hr/> <hr/>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS was 31 March 2013. Contributions amounting to £52,209 (2012/13:£46,474) were payable to the schemes at 31st July and are included within creditors.

Teachers' Pension Scheme

The TPS is a statutory, contributory, unfunded defined benefit scheme governed by the Teachers' Pensions Regulations 2010, and from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Contributions on a "pay-as-you-go" basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972.

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 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

For the period from 1 August 2013 to 31 July 2014, the employer contribution rate was 14.1%. The employee contribution rate was 6.4% and 11.6% depending upon the member salary.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commence on 1 April 2015. The new employer contribution rate for the TPS will be implemented in September 2015. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

Under the definitions set out in Financial Reporting Standard 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. Accordingly, the College has taken advantage of the exemption in 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 scheme and the implications for the College in terms of the anticipated contribution rates.

Notes (continued)

19 Pensions and similar obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee funds administered by the West Yorkshire Pension Fund. The total contribution made for the year ended 31 July 2014 was £375,922 of which employers contributions totalled £241,538 and employees' contributions totalled £134,384. The agreed contribution rates for future years are 12% for employers and between 5.5% and 12.5% for employees depending upon the member salary. The estimated value of employer contributions for the year ended 31 July 2015 is £258,000.

The following information is based on a full actuarial valuation of the fund as at 31st March 2013 updated to 31st July 2014 by a qualified independent actuary.

Principal Actuarial Assumptions

	2014	2013
Inflation - RPI	3.2%	3.6%
Inflation - CPI	2.2%	2.7%
Rate of increase in salaries	3.7%	4.6%
Rate of increase in pensions	2.2%	2.7%
Discount rate for scheme liabilities	4.1%	4.5%

At 31 July 2014 and at 31 July 2013, on advice from our actuaries, we have assumed that each member will exchange 50% of the maximum amount permitted of their pre 1 April 2010 pension entitlement for additional lump sum. Each member is assumed to exchange 75% of the maximum amount permitted of their post 31 March 2010 pension entitlement for additional lump sum.

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 2014	At 31 July 2012
<i>Retiring today</i>		
Males	22.5	22.1
Females	25.4	24.3
<i>Retiring in 20 years</i>		
Males	24.7	23.9
Females	27.7	26.2

Notes (continued)

19 Pensions and similar obligations (continued)

The assets and liabilities in the scheme (of which the College's share is estimated at 0.04%) and the expected rates of return were:

			2014	2013
			£ millions	£ millions
Total Market Value of West Yorkshire Pension Fund as at 30 June 2014 (30 June 2013)			10,480	9,668
			<u> </u>	<u> </u>
	Long term rate of return expected at 31 July 2014	Asset split at 31 July 2014	Long term rate of return expected at 31 July 2013	Asset split at 31 July 2013
Equities	7.5%	75.1%	7.8%	73.0%
Property	6.8%	3.3%	7.3%	3.0%
Government bonds	3.2%	10.3%	3.3%	11.4%
Corporate bonds	3.7%	5.2%	4.0%	5.7%
Cash	1.1%	3.9%	0.9%	3.8%
Other	7.5%	2.2%	7.8%	3.1%

Leeds College of Art employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out above. The overall expected rate of return on assets is then derived by aggregating the expected return for each assets class over the actual asset allocation for the Fund as at 31 July 2014.

	2014	2013
	£'000	£'000
College's estimated asset share	6,491	5,753
Present value of scheme liabilities	(8,428)	(8,145)
	<u> </u>	<u> </u>
Deficit in the scheme	(1,937)	(2,392)
	<u> </u>	<u> </u>
	2013	2012
	£'000	£'000
Employer service cost (net of employee contributions)	462	433
	<u> </u>	<u> </u>

Notes (continued)

19 Pensions and similar obligations (continued)

Analysis of pension finance costs/income

	2014 £'000	2013 £'000
Expected return on pension scheme assets	402	295
Interest on pension scheme liabilities	(383)	(308)
	<hr/>	<hr/>
Pension finance income (cost)	19	(13)
	<hr/> <hr/>	<hr/> <hr/>

Amounts recognised in the statement of total recognised gains and losses (STRGL)

	2014 £'000	2013 £'000
Actuarial (losses)/gains on pension scheme assets	(191)	543
Actuarial gains/(losses) on pension scheme liabilities	848	(34)
	<hr/>	<hr/>
Actuarial gain recognised in STRGL	657	509
	<hr/> <hr/>	<hr/> <hr/>

Movement in deficit during year

	2014 £'000	2013 £'000
Deficit in scheme at beginning of year	(2,392)	(2,673)
Movement in year:		
Employer service cost	(462)	(433)
Employer contributions	241	233
Past Service cost	-	(15)
Net return on assets/(interest)	19	(13)
Actuarial gain	657	509
	<hr/>	<hr/>
Deficit in scheme at end of year	(1,937)	(2,392)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

19 Pensions and similar obligations (continued)

Asset and Liability Reconciliation	2014 £'000	2013 £'000
Reconciliation of Liabilities		
Liabilities at start of period	8,145	7,232
Service cost	462	433
Interest cost	383	308
Employee contributions	135	116
Actuarial (gain)/loss	(848)	34
Benefits paid	151	7
Past service costs	-	15
Liabilities at end of period	<u>8,428</u>	<u>8,145</u>
Reconciliation of Assets		
Assets at start of period	5,753	4,559
Expected return on assets	402	295
Actuarial (loss)/gain	(191)	543
Employer contributions	241	233
Employee contributions	135	116
Benefits paid	151	7
Assets at end of period	<u>6,491</u>	<u>5,753</u>

The cumulative amount of actuarial gains recognised in the statement of total recognised gains and losses is £120,000 (2013: cumulative actuarial losses £537,000).

History of experience gains or losses

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Present value of scheme liabilities	(8,428)	(8,145)	(7,232)	(5,792)	(5,705)
Fair value of scheme assets	6,491	5,753	4,559	4,282	3,663
Deficit in the scheme	<u>(1,937)</u>	<u>(2,392)</u>	<u>(2,673)</u>	<u>(1,510)</u>	<u>(2,042)</u>
Difference between the expected and actual return on assets:					
Amount (£'000s)	(191)	543	(236)	179	255
Experience gains and losses on scheme liabilities:					
Amount (£'000s)	294	(3)	(36)	475	38
Total amounts recognised in statement of total recognised gains and losses:					
Amount (£'000s)	657	509	(1,018)	697	742

Notes (continued)

20 Reconciliation of operating surplus to net cash inflow from operating activities

	2014	2013
	£'000	£'000
Surplus on continuing operations after depreciation of assets at valuation and tax	1,396	1,940
Depreciation (note 10)	881	802
Deferred capital grants released to income (note 2)	(186)	(212)
Loss on disposal of tangible fixed assets	5	(2)
Interest receivable (note 4)	(100)	(135)
Interest payable (note 8)	7	18
Pension cost less contributions payable (note 15 and 19)	216	215
Decrease/(increase) in stocks	5	(4)
Decrease/(increase) in debtors	26	(42)
Increase/(decrease) in creditors	418	(55)
	<hr/>	<hr/>
Net cash inflow from operating activities	2,668	2,525
	<hr/> <hr/>	<hr/> <hr/>

21 Analysis of changes in net funds

	At 1 August 2013	Cash flows	At 31 July 2014
	£'000	£'000	£'000
Cash at bank and in hand	5,020	653	5,673
Short term investments	5,000	1,000	6,000
	<hr/>	<hr/>	<hr/>
Total cash and short term investments	10,020	1,653	11,673
Debts due after 1 year	(600)	200	(400)
Debts due within 1 year	(200)	-	(200)
	<hr/>	<hr/>	<hr/>
Total	9,220	1,853	11,073
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

22 Analysis of cash flows for headings netted in the cash flow statement

	2014 £'000	2013 £'000
Returns on investments and servicing of finance		
Interest received	81	135
Interest paid	(4)	(5)
	<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance	77	130
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(944)	(460)
Deferred capital grants received	45	49
Proceeds from sale of assets	7	6
	<hr/>	<hr/>
Net cash outflow for capital expenditure and financial investment	(892)	(405)
	<hr/> <hr/>	<hr/> <hr/>
Management of liquid resources		
Maturity of short term deposits	6,059	5,000
Short term deposits placed	(7,059)	(5,000)
	<hr/>	<hr/>
Management of liquid resources	(1,000)	-
	<hr/> <hr/>	<hr/> <hr/>
Financing		
Debt due beyond a year:		
Repayment of amounts borrowed	(200)	(200)
	<hr/> <hr/>	<hr/> <hr/>

23 Capital commitments

Capital commitments as at 31 July 2014 totalled £454,000.

Notes (continued)

24 Financial commitments

At 31 July, the College had annual commitments under non-cancellable operating leases as follows:

	2014 £'000 Land and buildings	2014 £'000 Other	2013 £'000 Land and buildings	2013 £'000 Other
Expiry date				
- within one year	14	17	38	-
- between two and five years	-	24	81	7
	14	41	119	7
	14	41	119	7

Leases of buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

25 Contingent liability

As a result of a ruling by the European Court of Justice (ECJ) in the Preston case relating to indirect sex discrimination, the employer has an obligation to provide pension scheme benefits for part-time employees. There is therefore a potential liability to provide additional benefits for service before the pension scheme rules were changed to allow access for part-time employees.

The extent of the liability will depend on the service completed by those part-time employees who have registered a valid claim for benefits within the necessary timescales. It is not currently known with certainty how many part-time employees have registered and whether any financial impact that may materialise will be significant. Therefore no provision has been made, but the financial statements include this disclosure as a prudent approach to the potential liability.

The college had no other contingent liabilities as at 31 July 2014.

26 Related Party Transactions

Due 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 organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

Transactions with The Skills Funding Agency, the Young People's Learning Agency (and from 1 April 2012, its successor body, the Education Funding Agency) and HEFCE are detailed in notes 2, 12 and 16. The president of the Student Union is a member of the Board of Governors. Grants paid to the Student Union by the College totalled £20,000 (2012/13: £16,000).

Notes (continued)

27 Amounts Disbursed as Agent

Learner support funds

Access Funds	2014 £'000	2013 £'000
Balance brought forward	30	10
Funding body grants	123	119
	153	129
Disbursed to students	(131)	(76)
Administration costs	(5)	(5)
	17	48
Balance unspent at 31 July, included in creditors (£4,000 included in amounts owed to Skills Funding Agency, £13,000 included in Accruals and Deferred income)	17	48

Other Learner support funds

	2013 £'000	2012 £'000
Funding body grants		
Childcare	15	33
Residential bursaries	96	107
	111	140
Disbursed to students	(29)	(76)
Administration costs	(6)	(7)
	76	57
Balance unspent at 31 July (included in amount owed to Skills Funding Agency)	76	57

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 have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself. The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the College on the student's behalf.

The Skills Funding Agency, the Education Funding Agency and HEFCE 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 have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself.