

Leeds Arts University

Annual report and financial statements

For the year ended 31 July 2020

Members' report and financial statements

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Strategic Report

NATURE, OBJECTIVES AND STRATEGIES

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

Legal Status

Leeds Arts University is an independent specialist arts institution established as a Higher Education Corporation. The University is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The University has been a specialist provider of arts education in the north of England for over 170 years and has roots dating back to 1846 and the original Leeds School of Art. In 1842 the Leeds Mechanics Institute merged with the Literary Society, which led to the formation of The Leeds Government School of Art and Design four years later. In the late 1920s the art school became known as Leeds College of Art and 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. On 15 August 2017 the Privy Council approved the modifications to the Instrument of Government of Leeds College of Art to include a change of title to Leeds Arts University.

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

Mission Statement

We are an influential, world-facing, creatively driven specialist arts University where professional educators, practitioners and researchers collaborate to develop and enable excellence. We promote distinctive, critically informed and relevant practice in order to support the economic growth and cultural advancement of individuals and society.

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 June 2017, the Board of Governors approved a new strategic plan for the period to 2023. The Board of Governors monitors the performance of the University against these aims.

Strategic Report (continued)

The University's strategic aims are set out below:

1. To provide student-centred teaching and learning in a studio and practice based environment which nurtures excellence, leads to graduate success, and supports economic growth and artistic enrichment.
2. To develop and progress relevant research practice which enhances teaching and learning, is globally significant and contributes positively to society.
3. To consolidate our reputation as an influential specialist arts University, collaborating with external partners to support student success and cultural advancement.

PUBLIC BENEFIT STATEMENT

Charitable Objects

The University 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 University as an exempt charity is required to demonstrate how its work is of public benefit. The Governors have taken into account the Charity Commission's guidance on public benefit in determining the University's charitable objectives including its Mission and Strategy.

The University'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 Arts University are the current, prospective and graduating students. The University 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 creatives, equipping them with the skills, expertise and capability to succeed. In 2019/20, the University offered 15 degree level courses and three further education courses at level 3. The University offered five postgraduate taught degrees. The University enrolled 491 FE students, 1,934 full-time undergraduate students and 40 part-time and 20 full-time postgraduate students. The University had 157 overseas students. The University also offered a number of creative courses for young people aged between 7-18 years old.

Removing barriers

The University 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 courses. 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 2019/20 the University distributed over £515,000 (through the bursary scheme, progression awards and in hardship funds) to eligible students to assist with the costs of their studies. All undergraduate students each received a £165 cash payment during the year to assist with the costs of materials at a total cost of over £331,000 and the final year students received an additional £75 totalling over £40,000. The total cash support for students in 2019/20 was nearly £890,000.

Strategic Report (continued)

The University is keen to raise the aspirations of under-represented groups within the University and has a successful outreach and widening participation programme to engage with under-represented groups. The University continues to be a member of Go-Higher West Yorkshire. It is also part of the National Collaborative Outreach Programme. During 2019/20 the University 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 University engages with the wider community in a number of different ways. The University's exhibition gallery organises a number of exhibitions each year that are open to the public. Normally in May and June the University'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. This was not possible this year due to the coronavirus pandemic. Instead a digital show was produced which gave the public the opportunity to view the students' work and bring the work to a wider audience. The University runs the successful Creative Networks events which is the biggest networking group of creative professionals in Yorkshire and has been developed to nurture creative talent and to foster partnerships and collaboration. One of the most successful events during the year was the visit of Skin, acclaimed recording artist, DJ and lead singer of multi-million selling rock band, Skunk Anansie.

Mental Health

The University aims to support students' wellbeing from initial transition into University right through until graduation. A whole University approach to students' mental health and wellbeing is promoted with student counsellors, a dedicated mental health advisor and welfare advisors who offer a range of support methods. A triage approach means all students who needed support were able to receive an initial assessment and support immediately. Teaching staff with pastoral responsibility are provided with mental health training and the welfare team run mental health awareness training for all student-facing staff. During the year a series of resilience building workshops was included as part of the wider employability program for second year undergraduate students. Student engagement in exercise and wellbeing focussed clubs and societies to foster community building and support teamwork and further strengthen resilience is encouraged. The Students' Union continued its participation in the 'look after your mate' training programme to actively help and encourage students to support their fellow students.

At the end of March support moved online as a result of lockdown. Support staff were equipped to work from home and counselling, mental health and pastoral support was offered through video conferencing throughout the summer for supporting students.

The quality of engagement was reported to be very high and the service received positive feedback from students. In July 2020 the University received the WhatUni award for Student Support.

REVIEW OF PERFORMANCE

Coronavirus Pandemic

The coronavirus pandemic has required unprecedented changes since March 2020. In response to the developing situation in March 2020 the University took the decision to cancel all educational visits by staff and students. At the end of March 2020, the University closed its teaching buildings and moved all teaching, learning and assessment online so that all students would be able to achieve their outcomes according to the qualification frameworks and be able to progress to the next year or to complete their qualifications. In order to facilitate this, students who did not have IT equipment were loaned a computer. The substantial part of the year's undergraduate teaching had already been delivered face-to-face by the time teaching moved online.

A global extension of 14 days was applied to all submission deadlines after Easter to take account of the exceptional situation. Additional extenuating circumstances could also be applied for through the usual procedure. In addition to course teams, staff across the University were all on hand to help wherever they could - Student Welfare, Academic Support, English Language Support, Academic Computing, the IT Support Team, HE Administration, Workshop Staff, Library and Careers were all able to give advice, guidance and support whatever the subject.

Strategic Report (continued)

The End of Year shows were presented digitally and showcased all of the students' creative talent online. Students were reminded on a regular basis of the availability of hardship funds and additional monies were paid to all students in June 2020.

Financial results

	2020 £'000	2019 £'000
Income	23,796	20,834
Expenditure	20,708	18,710
Surplus before other gains and losses	3,088	2,124

The University continues to grow and the 14% increase in income is mainly as a result of the new Undergraduate courses that commenced in September 2018 which have resulted in an increase in home, EU and overseas students. The ratio of staff costs to income is 54%, in line with sector averages, despite a significant increase in the pension adjustments. Other operating costs are in line with the prior year. Depreciation costs have increased by 33% due to the completion and fit out of the new teaching block at Blenheim Walk in January 2019.

Progress against the Strategic Plan

Progress against the Strategic Plan is measured against a set of key performance indicators and milestones and monitored by the Board of Governors at each meeting. The University continues to expand. New postgraduate courses in Animation, Illustration, Creature Design, Worldbuilding, Graphic Novel and Digital Fashion will commence in September 2020. The REF 2021 process was paused by 4 months due to coronavirus and the new submission deadline is March 2021. The University has maintained its focus on REF 2021 preparation during this time and considers that it is well prepared to meet the revised submission date.

Undergraduate recruitment in 2019/20 was solid across all courses.

Key Performance Indicators - 2019-2020

	Performance	Benchmark
Overall Satisfaction (National Student Survey)	83%	80%
Non-continuation rate (HESA, Young FT first degree)	2.8%	7.9%
Highly Skilled Graduate Employability - Graduate Outcomes	64%	NA
FE Achievement Rates	93.4%	91.1%
Carbon Emissions	737 tonnes	893 tonnes

Overall satisfaction in the 2020 National Student Survey was 83% compared to a benchmark of 80%. 83% were satisfied with the teaching on the course, 86% were satisfied with the learning opportunities and 92% were satisfied with learning resources. The University has a very low non-continuation rate (i.e. only a small number of students leave the University during their studies). The KPI is better than the benchmark. We provide a wide range of activities and support for all students to manage the risk of dropping out and we monitor student's progression and retention very carefully.

The results from the 2017/18 Graduate Outcomes survey were published in summer 2020. These are experimental statistics. 64% of first-degree graduates were employed in highly skilled work (including self-employment and freelancing). The University has a wide range of support available to support students in finding employment, starting businesses and working freelance. Investment in this area will increase in 2020/21.

Our Further Education provision continues to produced excellent results and the FE achievement rates for 2019/20 are significantly higher than benchmark. The Ofsted visit in February 2020 rated the provision as good.

The University takes its environmental responsibilities very seriously. A sustainability committee has oversight of projects to reduce carbon emissions, which have again reduced and are below target.

Strategic Report (continued)

Student achievements

David Moss, an Access to HE Diploma student, found a permanent home for his life-sized plaster sculpture of a homeless person at St George's Crypt, a Leeds charity.

BA (Hons) Graphic Design students Amy Roberts, Hannah Rice and Holly O'Connor were awarded commendations at the YCN Student Awards for their responses to an Artisan Drinks brief.

BA (Hons) Creative Advertising students Evan Gilsenan and Charlotte Cunningham won coveted D&AD New Blood Pencils at the D&AD New Blood Awards.

A short film by BA (Hons) Animation students Cameron Cook, Damian Jenorowski and Prathik Poojary was selected for screening by the Oscar and BAFTA qualifying Encounters Film Festival.

MA Creative Practice student Kate Abbey was shortlisted for the prestigious Portrait of Britain award, headed by the British Journal of Photography, and her work was included in The Portrait of Britain Vol.2 Book.

BA (Hons) Fine Art student Jonathan Kelly was named the winner of a brief set by law firm Addleshaw Goddard to produce a unique piece of artwork for its offices in Sovereign Square, Leeds.

Extended Diploma in Art & Design students Georgia Convy and Alice Marshall, and Foundation Diploma in Art & Design student Rebecca Buchanan were selected to exhibit at the Origins Creative Arts Festival in London.

Students from BA (Hons) Fashion, BA (Hons) Graphic Design, BA (Hons) Textile Design and BA (Hons) Visual Communication created work for an in-store exhibition at John Lewis & Partners in Leeds.

Muhmana Hussain, a student on the MA Creative Practice course, designed the cover for the 2019 Forum for Access and Continuing Education (FACE) publication.

BA (Hons) Fine Art students Amelia Francis Wood, Benjamin Campbell, Denisa Kreitzer, George Welch, Josh Newsome, Lauren Brown and Lewis Andrews, and BA (Hons) Photography students Anthea Spivey, James Allinson, Jason Sojka, and Victoria Nash had work selected to show at Aon Plc headquarters as part of Aon's annual Community Art Award.

Artwork by twelve students and recent graduates was selected to exhibit in the new building of law firm Walker Morris.

MA Curation Practices students Sarah Beaumont, Beth Rastrick, Natasha Clarke, Lily Sherratt, Eleanor Kelly, and Alex Anderson curated an exhibition by three visually impaired artists.

BA (Hons) Creative Advertising student, Megan Williams, had her work displayed across global digital billboards after being selected for a Creative Conscience brief to create a campaign that finds a positive message in the tragedy and uncertainty of the current pandemic.

A short film created by three BA (Hons) Animation students, Pypah Vas Santos, Cara Jeal and Haraldur (Hally) Petursson, was selected for Underwire Festival, Beirut International Awards Festival and LA Animation Festival.

BA (Hons) Visual Communication students organised an interactive exhibition and event, Mindflow, at Leeds Arts Gallery to explore the subject of wellbeing through a range of media.

BA (Hons) Textile Design student Xanthe Bonsall-Towers designed a new cycling jersey for independent cycling brand We Can Be.

Glynn Waltham and Charlotte Cunningham from BA (Hons) Creative Advertising were recognised by one of the world's most prestigious creative advertising agencies, BBH, as winners of their annual 'Next Gen' competition.

Strategic Report (continued)

Student achievements (continued)

Leeds Arts Union, in collaboration with the Afro Caribbean Society, took over a space at Leeds Corn Exchange to celebrate the work of 30 of the University's BAME student community.

The work of BA (Hons) Fashion students Daisie Jacobs and Taz Dorodi was selected from submissions made by the UK's leading university fashion courses for publication in The Guardian Weekend: The art and fashion issue.

BA (Hons) Fashion Design students Ines Lacruz Sisamon and Iphegenia Tsansizis-Wheatman had their menswear exhibited on Alfred Brown Ltd's stand at the major international trade show, Milano Unica, after winning a brief to design and make tailored menswear.

BA (Hons) Creative Advertising students were invited to develop and pitch ideas to Homebase and earn the opportunity of a work placement at the DIY store's creative agency, Atomic London.

To mark LGBT+ History month, Leeds Arts University Students' Union and Spectrum Society celebrated the University's LGBTQIA+ community with a showcase of students' work in a week-long exhibition at Leeds Corn Exchange.

BA (Hons) Animation students Filipa Santos, Haraldur Pétursson and Cara Jeal's short film, Not Alone, won the RTS (Royal Television Society) Yorkshire Student Television Award 2020 for Animation.

Eleven students from BA (Hons) Textile Design were recognised in the Bradford Textile Society annual student design competition, including Lilly Mullen, Hannah Grahamslaw and Amy Greenfield who all won first prize in different categories.

BA (Hons) Fine Art student Jonathan Kelly won Grand First Prize in the prestigious British Art Medal Society's Student Medal Project 2020. Fellow student Susan Daubney also received an award.

BA (Hons) Photography student, Jess Doig, was selected as a lead ambassador for Nike ahead of the 2021 Tokyo Olympic games, after submitting creative content that demonstrated her passion for sport.

Emily Anderson, Phoebe Ruia, Kiara Hambali, Cheryl On and Selina Smyllie, from BA (Hons) Creative Advertising, were all nominated for this year's Chip Shop Awards, organised by media website The Drum.

Eight students from BA (Hons) Fashion were shortlisted for the Graduate Fashion Foundation Awards with Taz Dorodis and Gracie D'Silva being featured on the GFF Talent platform.

Treasury policies and objectives

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

The University has a separate treasury management policy in place. Short term borrowing for temporary revenue purposes is authorised by the Vice-Chancellor.

Cash flows

The University had cash balances of £10.1 million at 31 July 2020 and a further £8million on short term deposit.

Liquidity

The University had a current ratio of 10.9 at 31 July 2020 (2018/19: 3.1) representing a clear ability to meet liabilities as they fall due. A revolving credit facility with HSBC Bank plc for £8million was agreed in January 2017. This facility was termed out in March 2020 and at the year end the amount outstanding was £8million.

Strategic Report (continued)

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires universities, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2019 to 31 July 2020, the University paid all approved and authorised invoices within 30 days. The University incurred no interest charges in respect of late payment for this period.

Future developments

Outlook

Coronavirus

Despite the impact of the coronavirus the University recruited strongly in September 2020. The new postgraduate courses all recruited students and the postgraduate cohort doubled. Overall, undergraduate recruitment was significantly better than was expected in March 2020 when the University had to move all activities online during the main recruitment period. In particular International enrolments have been better than expected.

Our provision is through personalised tuition, which will be a blend of on campus and online teaching. Staff have been working hard to ensure that all students have the ability to achieve the required learning outcomes next year and are able to progress towards their qualification and have a high quality academic experience.

The University's biggest single cost is staffing and this cost is predominately fixed in the short to medium term. The complexity of the current situation providing teaching, learning, guidance and support from staff across the University to students in many different time zones means that the cost of providing education in the coronavirus environment will increase rather than decrease. At the start of 2020/21, significant expenditure has been incurred to ensure the University campus is covid-secure for the return of students and staff to our buildings. The University is forecasting a small surplus for 2020/21 whilst increasing investment in risk and safety equipment, infrastructure, digital technology, research, and employability.

RESOURCES

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

Financial

The University has £24.9 million of net assets (net of a £13.7 million pension liability).

Reputation

The University has a good reputation, locally, nationally and internationally, winning a number of sector awards over the years. Maintaining a quality brand is essential. The University continues to have high student satisfaction and applications to the University remain at a high level. Recruitment in September 2020 was solid.

People

Academic staffing increased in line with the growth in student numbers. Higher Education Academic staff are required to acquire professional recognition for their teaching by attaining fellowship status of Advance HE. There is a staff development budget to support staff with gaining qualifications and other continuing professional development requirements.

The University 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 University's assets and reputation.

PRINCIPAL RISKS AND UNCERTAINTIES

The Senior Management Team undertakes a comprehensive review of the risks to which the University is exposed. They identify systems and procedures, including specific actions which should mitigate any potential impact on the University. 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 University.

A risk register is maintained by the Senior Management Team. This is reviewed at least termly 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 University 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 University. Not all the factors are within the University's control. Other factors besides those listed below may also adversely affect the University.

1. Undergraduate student recruitment

The University's main income stream is from home undergraduate tuition fees funded by student loans. The removal of the student number control for undergraduate students has provided the University more opportunities to grow, however the market for undergraduate students is becoming significantly more competitive.

Leeds Arts University is addressing the issues arising from these changes in a number of ways:

- By increasing its postgraduate provision with the approval of new specialist postgraduate courses;
- Reviewing its academic portfolio on a regular basis;
- By ensuring the University is rigorous in delivering high quality education and training, thus ensuring value for money for students;
- By investing in the student experience;
- By seeking to exceed students' expectations and preparing them for successful futures;
- Continuing to develop its international work by building relationships in key markets; and
- Close monitoring of the demand for courses.

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 University's balance sheet in line with the requirements of FRS 102. The Government introduced new benefit changes to all Local Government Pension Schemes from April 2014. The University will continue to monitor the impact of these changes. The Teachers' Pension Scheme is unfunded and in September 2019 the contribution rate increased from 16.48% to 23.68% resulting in an additional cost for the year of over £320,000. The employer contribution rate for the Local Government Pension Scheme increased in April 2020 from 14.63% to 15.8% resulting in an additional cost of over £17,000 in 2019/20.

There has been a significant increase in the pension deficit for the Local Government Pension Scheme as at 31 July 2020 which has increased from a deficit of £7.1 million to £13.7million. Despite this increase, the net asset position remains strong at £24.9million.

3. Financial sustainability

The future funding environment remains uncertain and the impact of the current coronavirus pandemic is difficult to assess. The cost base of the University is increasing due to additional costs of PPE and Risk and Safety equipment to ensure a Covid safe environment. The reduction in asset values and decrease in the discount rate resulted in a significant increase in the pension deficit at the year-end; it is highly likely that employer pension contributions will increase in the medium to long term.

Strategic Report (continued)

The development of additional postgraduate courses enables the University to diversify its income stream. Recruitment in September 2020 was strong and it is encouraging to see that, despite the challenges of coronavirus, students are still enrolling on all courses provided by the University, but student retention remains a risk throughout 2020-21 given the impact that measures introduced to control the virus may have on the teaching environment. The University has a strong financial base from which to manage any short to medium term challenges arising from the pandemic and the University will continue to manage all costs very carefully.

STAKEHOLDER RELATIONSHIPS

In common with other universities, Leeds Arts University has many stakeholders. These include:

- Students and Staff;
- Education Sector Funding Bodies;
- Regulatory Bodies;
- Awarding Bodies;
- Employers;
- Leeds City Region;
- The local community;
- Other FE and HE institutions;
- Trades unions;
- Professional bodies.

The University recognises the importance of these relationships and engages in regular communication with them through the University's website and by meetings.

Equality, Diversity and Inclusion

The University 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 University. The Equality, Diversity and Inclusion Policy will be resourced, implemented and monitored on a planned basis and published on the University's website.

The University considers all applications from people with a disability, bearing in mind the aptitudes of the individuals concerned. Where an existing employee develops a disability, every effort is made to ensure that employment with the University continues. The University'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 University seeks to achieve the objectives set out in the Equality Act 2010:

- As part of its accommodation strategy the University updated its access audit;
- The University's Student Support department liaising with Estates department where necessary, 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 University can make available for use by students and a range of assistive technology is available;
- There is an admissions policy for all students;
- The University 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 courses are described in University prospectuses, and achievements and destinations are recorded and published in the standard University format;
- Counselling and welfare services are described in the Student Handbook, which is issued to students.

Strategic Report (continued)

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 University'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 University's auditors are aware of that information.

Approved by order of the Board of Governors on 25 November 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'J H Finnigan', written over a faint, illegible stamp or background.

J H Finnigan

Chair

Professional Advisers and Key Management Personnel

Financial statements and regulatory:	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Internal auditors:	HW Controls and Assurance Ltd 30 Camp Road Farnborough Hampshire GU14 6EW
Bankers:	Lloyds TSB Bank Plc 65-68 Briggate Leeds LS1 6LH
Solicitors:	Walker Morris LLP 33 Wellington Place Leeds LS1 4JP Gordons LLP Riverside West Whitehall Road Leeds LS1 4AW

Key Management Personnel:

Vice-Chancellor and Accountable Officer	Professor Simone Wonnacott
Pro Vice-Chancellor Assurance & Director of Finance	Sharon Bailey
Pro Vice-Chancellor Academic	Professor Randall Whittaker
Pro Vice-Chancellor Student Experience & Resources	Professor Dave Russell

Statement of Corporate Governance and Internal Control

The University is committed to exhibiting best practice in all aspects of corporate governance. The Board of Governors adopted the Committee of University Chairs' *Higher Education Code of Governance* (2014) from 1 August 2015, adopting the revised version of the code from 1 August 2018. In addition, the summary below describes the manner in which the University has applied the principles set out in the *UK Corporate Governance Code* issued by the Financial Reporting Council in July 2018. Its purpose is to help the reader of the accounts understand how the principles have been applied. In the opinion of the governors, the University 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 2020. 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 2020 and up to the date of this report were as follows:

Name	Date of appointment	Term of office ends	Date of resignation/retirement	Status of appointment	Committees served
Mr D Bagley	13.04.16 02.06.20 (r)	12.04.20 01.06.24		Independent	Audit (Vice-Chair from 14.10.20)
Mr M Bates	16.10.13 16.10.17 (r)	15.10.17	04.12.19	Academic Board nominee	
Mr C Clements	01.08.14 (r) 31.07.18 (r)	31.07.18 16.07.20	16.07.20	Independent Chair of Board of Governors (to 16.07.20)	Remun. (to 16.07.20), Search (to 16.07.20)
Prof P Cullen	28.11.17	27.09.21		Co-opted (Education), Senior Independent (from 09.10.19).	Audit, Remun. (from 17.07.20, Vice-Chair from 14.10.20)
Ms G Edge	05.04.17	04.04.21	13.08.20	Elected Staff	
Mr J Finnigan	17.09.14 17.09.18 (r)	16.09.18 16.09.22		Independent Deputy Chair of Board of Governors (to 16.07.20).	Audit (Chair and member to 16 July 2020), Remun. (Vice-Chair to 13.10.20), Search
Mr J Flathers	24.11.11 (r) 25.11.15 (r)	23.11.15 24.11.19	31.07.19	Senior Independent	Search (Chair to 31.07.19), Remun. (to 31.07.19)
Ms A Handa	22.01.14 22.01.18 (r)	21.01.18 22.01.22		Independent	Search (Chair from 09.10.19), Remun. (from 09.10.19)
Ms A Horton	01.09.18	31.08.19	31.08.19	Elected Student	
Ms O Motema	01.09.19	31.08.20	31.08.20	Elected Student	
Mr N Ramshaw	16.10.13 16.10.17 (r)	15.10.17 15.10.21		Independent	
Mr M Riley	14.10.20	13.10.24		Independent	Search (from 25.11.20)
Ms N Rumball	14.10.20	13.10.24		Independent	Audit (from 11.11.20)
Ms M Ojari	01.09.17 01.09.18 (r)	31.08.18 Ex officio	31.08.19	Elected Student Students' Union President	
Ms A Palmer-Jones	01.09.19	Ex officio	31.08.20	Students' Union President	
Prof. C Pickles	21.03.18	20.03.22		Independent	Search (Vice-Chair from 13.05.20)
Mr D Reid	17.09.14 17.09.18 (r)	16.09.18 16.09.22		Independent	Audit (2019/20: Vice-Chair, 2020/21: Chair), Remun. (Chair)
Ms K Watson	16.09.15	15.09.19	15.09.19	Independent	
Mr D Whitehead	21.03.18	20.03.22		Independent	
Prof. S Wonnacott	01.06.09	Ex officio		Principal (to 15.08.17) Vice-Chancellor (from 16.08.17)	Search

External co-opted committee members: Mr L Fox (external co-opted Audit Committee member, appointed for 4 years from 25th Apr. 2018); Ms S Heidinger (external co-opted Remuneration Committee member, appointed for 4 years from 1st May 2019).

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 University 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. 10 Independent members of the Board of Governors were appointed by the Secretary of State from 1 August 2011 including Mr C Clements. 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.

The Vice-Chancellor, Professor S Wonnacott, and the nominated and elected Students' Union President are *ex officio* members of the Board of Governors. Members of the Board of Governors, other than the Vice-Chancellor, are appointed for a term of office not exceeding 4 years and normally serve for a maximum of 2 terms. The Instrument of Government permits an extended period of office where an Independent Governor is appointed to a new and more senior role e.g. as Chair of the Board of Governors.

The Chair and Deputy Chair of the Board of Governors are elected for 4 years, renewed annually. During the period under review, Mr Christopher Clements served as Chair of the Board of Governors to 16 July 2020 and Mr John Finnigan served as Deputy Chair of the Board of Governors to 16 July 2020 and Chair of the Board of Governors from 17 July 2020.

Corporate Governance Statement

The University's governance framework is established in the Instrument and Articles of Government. Amendments to these documents required the approval of both the Board of Governors and the Privy Council until 6 January 2020, when the requirement for Privy Council approval was removed with the consent of 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 University, 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 and the Prevent Duty. 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 University.

The Board of Governors operates a Carver-style governance model. Key features and aims of the model adopted by the Board include: 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 Vice-Chancellor 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 2019/20, the Board of Governors held 6 formal Board meetings, including 1 Extraordinary meeting, and 1 Governor training/development session. Due to the Covid-19 pandemic, the Board of Governors' March 2020 meeting was cancelled, with the business due to be considered at this meeting considered at an extended meeting held in June 2020. The Board of Governors' meetings held in June and July 2020 were held online.

Statement of Corporate Governance and Internal Control (continued)

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 2020 and to the date of signing of the accounts is as shown in the table above.

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

Leeds Arts University
Blenheim Walk
Leeds
LS2 9AQ

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 University'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 University Vice-Chancellor are separate.

The Board of Governors uses a variety of methods to monitor and evaluate its own performance including: a periodic governance self-assessment survey based on a model produced by the Leadership Foundation for Higher Education; a biennial review of individual governor performance; an annual performance review of the committees of the Board of Governors; an annual review of governance practice against the Board of Governors' approved code of governance and statement of primary responsibilities; a review of University performance against Strategic Plan objectives and key performance indicators at each Board of Governors' meeting.

In 2019/20, the Audit Committee reviewed, in particular, governance practice with reference to the 7 primary elements of the *Higher Education Code of Governance* (2018) and has concluded that they are appropriate (unless otherwise indicated below) and have been applied i.e. that:

1. The Board of Governors is unambiguously and collectively accountable for institutional activities, taking all final decisions on matters of fundamental concern within its remit;
2. The Board of Governors protects institutional reputation by being assured that clear regulations, policies and procedures that adhere to legislative and regulatory requirements are in place, ethical in nature, and followed;
3. The Board of Governors ensures institutional sustainability by working with the Executive to set the institutional mission and strategy and is assured that appropriate steps are being taken to deliver them and that there are effective systems of control and risk management;
4. The Board of Governors receives assurance that academic governance is effective by working with the Senate/Academic Board or equivalent as specified in its governing instruments;
5. The Board of Governors works with the Executive to be assured that effective control and due diligence take place in relation to institutionally significant external activities (with it being noted, however, that the University currently has no external activities which are considered to carry significant potential financial or reputational risk);
6. The Board of Governors promotes equality and diversity throughout the institution, including in relation to its own operation;
7. The Board of Governors ensures that governance structures and processes are fit for purpose by referencing them against recognised standards of good practice.

Statement of Corporate Governance and Internal Control (continued)

A table detailing the results of the review undertaken against the *Higher Education Code of Governance* (2018) and the *Statement of Primary Responsibilities* is published on the University's [website](#).

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 Vice-Chancellor 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.

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 University'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, Asian and Minority Ethnic (BAME) representation on the Board.

The *2018 WomenCount: Leaders in Higher Education* survey recorded that women made up 40% of HE governing bodies overall, with 55% of governing bodies recorded as gender balanced (defined as having between 40-60% female representation). During 2019/20, the Search & Nominations Committee sought to ensure that there was equal gender representation on the University's Board of Governors, with female representation on the Board of Governors varying between 50% and 61% during the year.

The University's Equality, Diversity & Inclusion Report 2018/19, which was presented to the June 2020 meeting of the Board of Governors, recorded 57% of employees and 78% of students as female.

Black, Asian & Minority Ethnic (BAME) representation on the Board of Governors varied between 20% and 25% in 2019/20, which was above the percentages for staff (6.0%) and students (11%). shown in the University's Equality, Diversity & Inclusion Report 2018/19.

Audit Committee

The Audit Committee has an approved membership of five members. During 2019/20, the Committee had four members who were also members of the Board of Governors and one 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 University e.g. the Vice-Chancellor. 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 University's system of internal control and its arrangements for risk management, control, governance 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, the Office for Students (OfS) and other bodies.

In January 2020, the Audit Committee reviewed the Statement of Requirements, the tests of reasonableness and the Transparent Approach to Costing (TRAC) return and TRAC (T) return 2018-19 and approved them for submission to the Office for Students.

The Audit Committee meets on a termly basis and provides a forum for reporting by the University's internal and external auditors, who have access to the Committee for independent discussion without the presence of University management. The Committee receives and considers reports from the OfS as they affect the University's business.

Statement of Corporate Governance and Internal Control (continued)

The University'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, OfS and other funding or regulatory bodies in accordance with an agreed plan and report their findings to management and the Audit Committee.

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 Committee

The Board of Governors agreed terms of reference for a Remuneration Committee in November 2013, with delegated power to determine the remuneration of the Vice-Chancellor and other designated senior post-holders. Before November 2013, senior post-holder remuneration was determined by the Board of Governors. The Remuneration Committee's terms of reference are reviewed annually by the Remuneration Committee, with any revisions recommended to the Board of Governors for approval.

The Remuneration Committee has an approved membership of five members. During 2019/20, the Committee had four members who were also members of the Board of Governors and one external co-opted member. Student and Staff Governors, including the Vice-Chancellor, may not be members of the Remuneration Committee. The Vice-Chancellor is however permitted to attend meetings of the Remuneration Committee, by invitation of the Committee, to present reports and provide advice but, in line with the Board of Governors' standing orders (including its policy on conflicts of interest), may not remain in attendance at any part of a Remuneration Committee meeting at which her own pay or conditions are under discussion or at which the pay and conditions of any related party are under discussion.

The members of the Board of Governors (other than the Vice-Chancellor, the staff members and, the sabbatical Students' Union President) did not receive any payment in 2019/20 from the University 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 2020 to designated senior post-holders and members of the Board of Governors are set out in note 8 to the financial statements.

Remuneration reporting arrangements include: confidential Remuneration Committee minutes presented to the Board of Governors, excluding staff & student members; a report on Remuneration Committee membership and operation included in the corporate governance report; a report on senior post-holder remuneration (aggregating senior post-holder remuneration other than the Vice-Chancellor's remuneration) included as a note to the annual financial statements. In addition, in line with the Committee of University Chairs' Higher Education Senior Staff Remuneration Code, the Remuneration Committee produces an annual report to the Board of Governors, which is published on the University's [website](#).

Internal Control

The statement of internal control relates to the University's arrangements for the prevention and detection of corruption, fraud, bribery and other irregularities.

Scope of responsibility

The Board of Governors is ultimately responsible for the University'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.

Statement of Corporate Governance and Internal Control (continued)

The Board of Governors has delegated the day-to-day responsibility to the Vice-Chancellor, as Accountable Officer, for maintaining a sound system of internal control that supports the achievement of the University'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 terms and conditions of funding between the University 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 University 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.

Review procedures cover financial, business, operational and compliance risk. The system of internal control has been in place in Leeds Arts University for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements.

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 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 University has an internal audit service, which operates in accordance with requirements of the Audit Code of Practice of the OfS. The work of the internal audit service is informed by an analysis of the risks to which the University 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 University. The report includes the Internal Auditors' independent opinion on the adequacy and effectiveness of the University'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, OfS and other funding bodies.

Review of effectiveness

As Accountable Officer, the Vice-Chancellor has responsibility for reviewing the effectiveness of the system of internal control. The Vice-Chancellor'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 University who have responsibility for the development and maintenance of the internal control framework;
- Comments made by the University's External Auditors.

Statement of Corporate Governance and Internal Control (continued)

Review of effectiveness (continued)

The Vice-Chancellor has considered any implications arising from her review of the effectiveness of the system of internal control. Reports and recommendations arising from the annual internal audit plan have been discussed in the presence of the Vice-Chancellor by the Audit Committee, which oversees the work of the Internal Auditors. A University 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 the Internal Auditors, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for and effectiveness of 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 University's risk register. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2020 meeting, the Board of Governors carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Senior Management Team and the Internal Auditors, and taking account of events since 31 July 2020.

Capacity to handle risk

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

Going Concern

A detailed going concern review has been undertaken which has considered-

- The University's Strategic Plan and the risk factors as described in the Strategic Report;
- Performance against KPIs and recruitment in September 2020;
- The University's cash position;
- Compliance with covenants associated with the term loan
- The capital investment requirements for the next twelve months
- The potential impact of coronavirus

After making appropriate enquiries, the Board of Governors considers that the University 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 25 November 2020 and signed on its behalf by:



Mr J H Finnigan
Chair of Board of Governors



Professor S Wonnacott
Vice-Chancellor

STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Board of Governors are responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Office for Students' Terms and conditions of funding for higher education institutions and applicable law and regulations.

They are required to prepare University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2019 Statement of Recommended Practice - Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Board of Governors are required to prepare financial statements which give a true and fair view of the state of affairs of the University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the University financial statements, the Board of Governors are required to:

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

The Board of Governors is responsible for keeping proper accounts and proper records in relation to the accounts. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the University and to prevent and detect fraud and other irregularities.

The Board of Governors are also responsible for ensuring that:

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

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



Mr J H Finnigan
Chair of Board of Governors

INDEPENDENT AUDITOR'S REPORT TO BOARD OF GOVERNORS OF LEEDS ARTS UNIVERSITY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS Opinion

We have audited the financial statements of Leeds Arts University ("the University") for the year ended 31 July 2020 which comprise the Statement of Comprehensive Income; Statement of Changes in Reserves; Balance Sheet, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

The Board of Governors has prepared the financial statements on the going concern basis as they do not intend to liquidate the University or to cease their operations, and as they have concluded that the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board of Governors' conclusions, we considered the inherent risks to the University's business model, and analysed how those risks might affect the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the University will continue in operation.

Other information

The Board of Governors is responsible for the other information, which comprises the Strategic Report; Public Benefit Statement; Statement of Corporate Governance and Internal Control; and Statement of the Responsibilities of the Members of the Corporation. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

INDEPENDENT AUDITOR'S REPORT TO BOARD OF GOVERNORS OF LEEDS ARTS UNIVERSITY (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Board of Governors responsibilities

As explained more fully in their statement set out on page 19, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so. **Auditor's responsibilities**

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

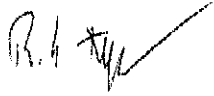
We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the University's expenditure on access and participation activities for the financial year disclosed in Note 9 has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the University's grant and fee income, as disclosed in note 2 to the financial statements has been materially misstated.

We have nothing to report in these respects.

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

This report is made solely to the Board of Governors, in accordance paragraph 13(2) of the University'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 University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.



Rashpal Khangura
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square Sovereign Street
Leeds
LS1 4DA
1 December 2020

Statement of Comprehensive Income
Year Ended 31 July 2020

	Notes	31 July 2020 £'000	31 July 2019 £'000
Income			
Funding body grants	3	3,228	3,348
Tuition fees and education contracts	4	20,410	17,274
Other income		82	157
Investment income	5	44	55
Donations and Endowments	6	32	-
Total income		23,796	20,834
Expenditure			
Staff costs	7	12,808	11,341
Other operating expenses	9	5,963	5,917
Depreciation	12	1,714	1,292
Interest and other finance costs	10	223	160
Total expenditure		20,708	18,710
Surplus before other gains/losses		3,088	2,124
Gain/(loss) on disposal of property, plant and equipment		3	(3)
Surplus before and after tax for the year		3,091	2,121
Actuarial loss in respect of pension schemes	20	(5,589)	(2,434)
Total comprehensive income and expenditure for the year		(2,498)	(313)
Represented by:			
Restricted comprehensive income for the year		1	-
Unrestricted comprehensive income and expenditure for the year		(2,499)	(313)
		(2,498)	(313)

**Statement of Changes in Reserves
Year Ended 31 July 2020**

	Income and expenditure reserve £'000	Revaluation reserve £'000	Total £'000
Balance at 1 August 2019	24,821	2,646	27,467
Surplus from the income and expenditure statement	(2,498)	-	(2,498)
Transfers between revaluation and income and expenditure reserve	99	(99)	-
Total comprehensive income for the year	(2,399)	(99)	(2,498)
Balance at 31 July 2020	22,422	2,547	24,969

	Income and expenditure reserve £'000	Revaluation reserve £'000	Total £'000
Balance at 1 August 2018	25,035	2,745	27,780
Surplus from the income and expenditure statement	(313)	-	(313)
Transfers between revaluation and income and expenditure reserve	99	(99)	-
Total comprehensive income for the year	(214)	(99)	(313)
Balance at 31 July 2019	24,821	2,646	27,467

Statement of Financial Position as at 31 July 2020

	Notes	Year Ended 31 July 2020 £'000	Year Ended 31 July 2019 £'000
Non-current assets			
Tangible fixed assets	12	30,678	30,812
Heritage Assets	13	40	10
		<hr/>	<hr/>
		30,718	30,822
Current assets			
Stock		28	32
Trade and other receivables	14	462	445
Investments		8,000	-
Cash and cash equivalents		10,068	7,393
		<hr/>	<hr/>
		18,558	7,870
 Less: Creditors: amounts falling due within one year	 15	 (1,709)	 (2,573)
		<hr/>	<hr/>
Net current assets		16,849	5,297
 Total assets less current liabilities		 47,567	 36,119
 Creditors: amounts falling due after more than one year	 16	 (8,819)	 (1,470)
 Provisions			
Defined benefit obligations	18	(13,709)	(7,112)
Other pension provisions	18	(70)	(70)
		<hr/>	<hr/>
Total net assets		24,969	27,467
		<hr/>	<hr/>
 Unrestricted Reserves			
Income and expenditure reserve - unrestricted		22,422	24,821
Revaluation reserve	19	2,547	2,646
		<hr/>	<hr/>
Total Reserves		24,969	27,467
		<hr/>	<hr/>

The financial statements on pages 23 to 45 were approved and authorised for issue by the Corporation on 25 November 2020 and were signed on its behalf by:



J H Finnigan
Chair of Board of Governors



Professor S Wonnacott
Vice-Chancellor

Statement of Cash Flows
Year Ended 31 July 2020

	Notes	Year Ended 31 July 2020	Year Ended 31 July 2019
		£'000	£'000
Cash flow from operating activities			
Surplus for the year		3,091	2,121
Adjustment for non-cash items			
Depreciation	12	1,714	1,292
Decrease in stock		4	12
(Increase) in debtors		(17)	(127)
Decrease in creditors		(1,393)	-
Pension costs less contributions payable	20	857	627
Adjustment for investing or financing activities			
Investment income		(44)	(55)
Interest payable		223	160
(Profit)/loss on disposal of fixed assets		(3)	3
Capital grants utilised in year	2	(150)	(289)
Net cash inflow from operating activities		<u>4,282</u>	<u>3,744</u>
Cash flow from investing activities			
Proceeds from sales of fixed assets		3	-
Investment income		44	56
Withdrawal of deposits		2,000	6,000
New deposits		(10,000)	(4,000)
Capital grants received		95	130
Payments made to acquire fixed assets		(1,688)	(6,464)
		<u>(9,546)</u>	<u>(4,278)</u>
Cash flow from financing activities			
Amounts Borrowed		8,000	2,000
Interest paid		(61)	(64)
Repayments of amounts borrowed		-	(2,000)
		<u>7,939</u>	<u>(64)</u>
Decrease in cash and cash equivalents in the year		<u>2,675</u>	<u>(598)</u>
Cash and cash equivalents at 1 August		<u>7,393</u>	<u>7,991</u>
Cash and cash equivalents at 31 July		<u>10,068</u>	<u>7,393</u>

Notes to the Accounts

1 Statement of principal 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019 edition). They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Accounts Direction issued by the Office for Students (OfS) and the Terms and conditions of funding for higher education institutions issued by the Office for Students. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

Going concern

The University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report which forms part of the Board of Governors Report. The Report also describes the financial position of the Institution, its cash flows, liquidity position and borrowing facilities. The financial statements have been prepared on a going concern basis which the Board of Governors considers to be appropriate for the following reasons.

The Board of Governors has prepared cash flow forecasts for a period of 20 months from the date of approval of these financial statements. After reviewing these forecasts the Board of Governors is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, the University will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The University currently has an £8m term loan due for repayment in 2027. A detailed going concern review has been undertaken as set out in Statement of Corporate Governance and Internal Control. The Board of Governors has considered:-

- The University's Strategic Plan and the risk factors as described in the Strategic Report;
- Performance against KPIs and recruitment in September 2020;
- The University's cash position;
- Compliance with covenants associated with the term loan
- The capital investment requirements for the next twelve months
- The potential impact of coronavirus

Consequently, the Board of Governors is confident that the University will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore has prepared the financial statements on a going concern basis.

Basis of consolidation

The University has no subsidiary or associated undertakings. The activities of the Student Union have not been consolidated because the University does not control those activities.

Income recognition

Income from the sale of goods or services is credited to the Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied. Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount.

Notes (continued)

1 Statement of accounting policies (continued)

Income recognition (continued)

Bursaries and scholarships are accounted for gross as expenditure and not deducted from income. Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Revenue Government grants including funding body recurrent grants are recognised within the Statement of Comprehensive Income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Any under achievement of the adult education budget is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. Where part of a Government grant is deferred it is recognised as deferred income within creditors and allocated between credits due within one year and due after more than one year as appropriate.

Other grants and donations from non-government sources are recognised within the Statement of Comprehensive Income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is deferred on the Balance Sheet and released to the Statement of Comprehensive Income in line with such conditions being met.

Accounting for post-employment benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll.

The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Further details of the pension schemes are given in note 20.

Notes (continued)

1 Statement of accounting policies (continued)

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a University 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 University'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.

Short term employment benefits

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

Tangible fixed assets

Land and buildings

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of land and buildings were revalued in 1992. As at 1 August 2014 these fixed assets were measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the University of 40 to 50 years. The University has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

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 deferred income 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.

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

Notes (continued)

1 Statement of accounting policies (continued)

Equipment (continued)

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 income and released to the income and expenditure account over the expected useful economic life of the related equipment.

Heritage assets

Works of art and other valuable artefacts (heritage assets) and valued at over £1,000 have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

Leased assets

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

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 statement in the period in which they arise.

Taxation

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University 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 University 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.

Notes (continued)

1 Statement of accounting policies (continued)

Liquid resources

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

Provisions

Provisions are recognised when the University 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 and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

Tangible fixed assets

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

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes (continued)

2 Grants and Fee income

	2020 £'000	2019 £'000
Grant income from the OfS	832	908
Grant income from other bodies	2,396	2,440
Fee income from taught awards (exclusive of VAT)	19,968	16,805
Fee income from non-qualifying courses (exclusive of VAT)	442	469
	<u>23,638</u>	<u>20,622</u>

National Collaboration Outreach Programme (NCOP) Funding of £40,000, included in Grant Income from the OfS, was received from the University of Leeds rather than from The Office for Students.

3 Funding body grants

	2020 £'000	2019 £'000
Grant income from other bodies		
- Education and Skills Funding Agency - adult	73	111
- Education and Skills Funding Agency - 16-18	2,265	2,271
- OfS/HEFCE	700	631
- NCOP (via the University of Leeds)	40	46
Release of capital grant		
- Further education funding bodies	58	58
- OfS/HEFCE	92	231
	<u>3,228</u>	<u>3,348</u>

4 Tuition fees and education contracts

	2020 £'000	2019 £'000
HE students - Full time home and EU students	17,665	15,129
HE students - Part time home and EU students	147	124
HE students - Full time international students	2,156	1,552
FE students - home and EU students	258	212
FE students - international students	89	162
Full cost courses and education contracts	95	95
	<u>20,410</u>	<u>17,274</u>

5 Investment income

	2020 £'000	2019 £'000
Other interest receivable	44	55

Notes (continued)

6 Donations and Endowment income

	2020 £'000	2019 £'000
Unrestricted donations	31	-
Donations with restrictions	1	-
	<hr/>	<hr/>
	32	-
	<hr/>	<hr/>

7 Staff numbers and costs

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

	2020 Number	2019 Number
Teaching staff	141	133
Teaching support staff	40	40
Administration staff	65	60
Premises and Maintenance	15	15
	<hr/>	<hr/>
	261	248
	<hr/>	<hr/>

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:

	2020 £'000	2019 £'000
Wages and salaries	9,469	8,766
Social security costs	865	779
Other pension costs (including FRS102 adjustments - £857,000 2019:£627,000)	2,474	1,796
	<hr/>	<hr/>
	12,808	11,341
	<hr/>	<hr/>

Included in the total above are restructuring costs related to redundancy of £nil (2019:nil)

Included in the total above are staff costs related to the following:-

	2020 £'000
Access Investment	165
Support for disabled students	57
Research and Evaluation	8
	<hr/>
	230
	<hr/>

Notes (continued)

8 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University and are represented by the Senior Management Team (being the Vice-Chancellor and the Pro-Vice-Chancellors).

The number of key management personnel (not including the Vice-Chancellor) who received annual emoluments (excluding pension contributions) in the following ranges was:

Basic salary per annum	2020 Number of key management personnel	2019 Number of key management personnel
£105,000 to £109,999	3	3

	2020 Number	2019 Number
The number of key management personnel (including the Vice-Chancellor) was:	4	4

Key management personnel emoluments are made up as follows:

	2020 £'000	2019 £'000
Salaries	516	496
Pension contributions	95	75
	<u>611</u>	<u>571</u>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place. The pension contributions for the key management personnel are in respect of employer's contributions to the Local Government Pension Scheme and the Teachers' Pension Scheme.

The above emoluments include amounts payable to the Vice-Chancellor (who is also the highest paid of key management personnel) of:

	2020 £'000	2019 £'000
Basic Salary	186	179
Pension contributions	28	26
	<u>214</u>	<u>205</u>

Members of the Board of Governors (other than the Vice-Chancellor, the staff governors and the Students' Union President) did not receive any payment from the University 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 governors (not including the Vice-Chancellor) during the year were £291 (2019/20: £765).

Notes (continued)

8 Key management personnel (continued)

Pay Multiple

The relationship between the Vice-Chancellor's basic pay and the median pay of all other employees expressed as a pay multiple is 8.1. Median pay is calculated on a full-time equivalent basis for salaries paid to staff. The pay multiple based on Vice Chancellor's total remuneration and the total median pay of all other employees expressed as a pay multiple is 7.9.

Vice-Chancellor's Remuneration

The remuneration for the Vice-Chancellor is reviewed annually by the Remuneration Committee. In determining the level of remuneration, three underlying contexts are considered alongside the performance of the institution. These are:-

- The wider education sector, the general public sector environment and Government policy;
- The University's pay setting approach and culture;
- Matters of equality, diversity and inclusion.

Other information considered includes; comparative data, information from the Office for National Statistics on national pay settlements, and the average staff pay increase.

The Committee also receives information on the pay ratio for the Vice-Chancellor's salary to staff on permanent contracts; and verbal information from the Chair of the Board of Governors on the Vice-Chancellor's appraisal. In considering the Vice-Chancellor's remuneration for 2019/20 the committee also commissioned a report from an external pay consultant and took into account their recommendations as part of their decision making process.

The increase awarded for 2019/20 of 4.3% was taken by the Remuneration Committee following consideration of this information and against the context of very strong institutional performance based on the Key Performance Indicators for 2018/19, and progress against the strategic plan having taken into account the internal and external contextual salary information.

9 Other operating expenses

	2020 £'000	2019 £'000
Academic departments	1,678	1,663
Academic services	362	371
Central administration	1,124	1,113
General educational	881	884
Staff and student services	159	142
Repairs and maintenance	1,077	1,000
Premises costs	682	744
	<hr/>	<hr/>
	5,963	5,917
	<hr/>	<hr/>
Other operating expenses include:		
Auditor's remuneration:		
External auditor's remuneration	£'000	£'000
- Financial statements audit	34	31
- Other	3	3
Internal auditor's remuneration	16	9
Operating lease rentals		
- plant and machinery	32	21
- other	46	44
	<hr/>	<hr/>

Notes (continued)

9 Other operating expenses (continued)

Access and Participation Expenditure

The University has total expenditure on access and participation for the year ended 31 July 2020 as follows:-

	2020 £'000
Access Investment	247
Financial Support	594
Support for disabled students	67
Research and Evaluation	8
	<hr/>
	916
	<hr/> <hr/>

These figures include staff costs totalling £230,000 which are included in the overall staff costs (Note 7). Costs of £686,000 are included in other operating expenses.

The University's Access and Participation plan can be found on the [website](#).

10 Interest payable

	2020 £'000	2019 £'000
Interest on bank loan and revolving facility	72	56
Net interest on defined pension liability	151	104
	<hr/>	<hr/>
	223	160
	<hr/> <hr/>	<hr/> <hr/>

11 Taxation

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

Notes (continued)

12 Tangible fixed assets

	Freehold land and buildings £'000	Assets under construction £'000	Equipment £'000	Total £'000
Cost or deemed cost				
At 1 August 2019	36,357	97	6,248	42,702
Additions	-	91	1,489	1,580
Reclassifications	-	(97)	97	-
Disposals	-	-	(291)	(291)
At 31 July 2020	36,357	91	7,543	43,991
Accumulated depreciation				
At 1 August 2019	7,836	-	4,054	11,890
Charge for year	792	-	922	1,714
Eliminated in respect of disposals	-	-	(291)	(291)
At 31 July 2020	8,628	-	4,685	13,313
Net book value				
At 31 July 2020	27,729	91	2,858	30,678
At 31 July 2019	28,521	97	2,194	30,812

The transitional rules set out in FRS 102: *The Financial Reporting Standard applicable in the UK and Republic of Ireland* have been applied. 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. The revaluation has been treated as deemed cost for the purposes of the transition to FRS 102.

Land and buildings and equipment with a net book value of £4,088,693 (2019: £4,232,706) have been partly financed from exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the University may be liable, under the terms of the funding agreements with OfS/HEFCE, 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)

13 Heritage assets

The University has purchased two Heritage Assets, the painting “Portrait of Pauline Snow” by Jacob Kramer, and the work “Lady Sculpture”. These are valued at £8,710 and £1,000 respectively, being the purchase costs and, as heritage assets, are not depreciated. In 2019/20, the University received a donation - “Reverspective Vs Perspective” by Patrick Hughes, which has been independently valued at £30,000.

14 Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	43	10
Other debtors	16	17
Prepayments and accrued income	403	418
	<hr/>	<hr/>
	462	445
	<hr/>	<hr/>

15 Creditors: Amounts falling due within one year

	2020 £'000	2019 £'000
Bank Loans and Overdrafts	600	-
Trade creditors	233	402
Other creditors	142	462
Other taxation	3	-
Accruals and deferred income	678	1,617
Payments on account	19	29
Other amounts owed to Education and Skills Funding Agency	34	63
	<hr/>	<hr/>
	1,709	2,573
	<hr/>	<hr/>

Deferred income

Included in accruals and deferred income are capital grants from HEFCE/OfS and other funding bodies which have been deferred and are being matched against the depreciation costs on the assets purchased: £120,000 (2019: £114,000)

16 Creditors: Amounts falling due after more than one year

	2020 £'000	2019 £'000
Bank Loan and Overdrafts	7,400	-
Accruals and deferred income	1,419	1,470
	<hr/>	<hr/>
	8,819	1,470
	<hr/>	<hr/>

Notes (continued)

Included in accruals and deferred income are capital grants from HEFCE/OfS and other funding bodies which have been deferred and are being matched against the depreciation costs on the assets purchased: £1,419,000 (2019: £1,470,000)

17 Analysis of borrowings

The bank loan is repayable as follows:-

	2020 £'000	2019 £'000
In one year or less	600	-
Between one and two years	600	-
Between two and five years	1,800	-
In five years or more	5,000	-
	<u>8,000</u>	<u>-</u>

18 Provisions

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2019	7,112	70	7,182
Expenditure in the period	(505)	-	(505)
Pension costs	7,102	-	7,102
	<u>13,709</u>	<u>70</u>	<u>13,779</u>
At 31 July 2020			

Defined benefit obligations relate to the liabilities under the University's membership of the Local Government Pension Scheme. Further details are in note 20. The provision relates to enhanced pension costs financed internally by the University.

19 Revaluation reserve

	2020 £'000	2019 £'000
At beginning of year	2,646	2,745
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	(99)	(99)
	<u>2,547</u>	<u>2,646</u>
At end of year		

Notes (continued)

20 Pensions and similar obligations

The University'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	£'000	2019/20 £'000	£'000	2018/19 £'000
Teachers' Pension Scheme: contributions paid		1,112		688
Local Government Pension Scheme:				
Contributions paid	505		445	
FRS 102 charge	857		627	
Deficit funding contribution	-		36	
Local Government Pension Scheme		1,362		1,108
Total pension cost - Charge to Statement of Comprehensive Income		2,474		1,796

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2016 and of the LGPS was 31 March 2019. Contributions amounting to £nil (2018/19:£95,303) 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' Pension Scheme Regulations 2014. Member and employer contributions are made on a "pay-as-you-go" basis and are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS102, the TPS is a multi-employer pension plan. The University is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly, the University has taken advantage of the exemption in FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The University has set out below the information available on the scheme and the implications for the University in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) on 5 March 2019. The key results of the valuation are:

- Employer contribution rates were set at 23.68% of pensionable pay (including administration fees of 0.08%) from September 2019 onwards;
- Total scheme liabilities for service to the effective date of £218.1billion, and notional assets of £196.1 billion, giving a notional past service deficit of £22billion;
- The rate of real earnings growth is assumed to be 2.2%;
- The assumed nominal rate of return is 4.45%;
- Pension increases are assumed to be 2%;
- an employer cost cap of 10.9% of pensionable pay.

Notes (continued)

20 Pensions and similar obligations (continued)

A full copy of the valuation and supporting documentation can be found on the Teachers' Pension Scheme website.

For the period from 1 August 2019 to 31 August 2019, the employer contribution rate was 16.48%. The employer contribution rate increased to 23.68% from 1 September 2019. The employee contribution rate was 7.4% and 11.7% depending upon the member salary. The pension costs (employees and employers contributions) paid to TPS in the year amounted to £1,536,000 (2018: £1,061,000).

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 2020 was £743,000 of which employers contributions totalled £505,000 and employees' contributions totalled £238,000. The agreed contribution rates for future years are 15.8% for the University 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 2021 is expected to be £570,000.

The following information is based on a full actuarial valuation of the fund as at 31st March 2019 updated to 31st July 2020 by a qualified independent actuary.

In December 2018 the Court of Appeal ruled in the 'McCloud / Sargeant' judgement that the transitional protection arrangements put in place when the Firefighters' and Judges' pension schemes were reformed were age discriminatory. Consultation on the proposed remedy for the Local Government Pension Schemes was issued by the Ministry of Housing, Communities and Local Government on 16th July 2020. In 2018/19 the additional liability was allowed for as a past service cost. The current service cost includes an allowance for an accruing underpin liability over the full accounting period.

The key assumptions are:

- the form of remedy adopted;
- how the remedy will be implemented;
- which members will be affected by the remedy;
- the earning assumptions;
- the withdrawal assumption.

The other financial and demographic assumptions adopted with regards to McCloud are as follows:

	2020
Inflation - CPI	2.2%
Discount rate for scheme liabilities	2.4%

Salary increases are based on the real salary increase assumption.

The cost of the remedy will depend on who is assumed to be compensated. The calculation assumes this applies to all members in service on 1st April 2012, members' benefits on reaching retirement or on prior withdrawal and spouse's benefits on death after retirement.

Following changes to the State Pension in April 2016, there was a risk that members of the LGPS who were 'contracted out' of the State Pension between 6 April 1978 and 6 April 1997, and who would reach their State Pension Age (SPA) after April 2016, would be worse off. This is because State Pension reforms removed the facility for the State to pay 'top up' payments to ensure their total pension was fully inflation protected. The LGPS was only required to pay limited increases on some elements of GMP (a portion of pension accrued in the LGPS when members were contracted out of the State Scheme). In March 2016 Government committed the LGPS to pay full pension increases on GMPs to individuals reaching SPA between 6 April 2016 and 5 December 2018. This has previously been accounted for. In January 2018 Government committed the LGPS to pay full pension increases on GMPs to individuals reaching SPA between 6 December 2018 and 5 April 2021.

Notes (continued)

20 Pensions and similar obligations (continued)

Further, the Government has indicated that it is committed to continuing to compensate all members of public sector pension schemes reaching SPA after 5 April 2021. This has not been recognised in the accounts to date. A liability has been recognised in respect of providing full indexation on GMP for members whose State Pension Age is after 6 April 2016

Principal Actuarial Assumptions - Main

	2020	2019
Inflation - RPI	2.8%	3.2%
Inflation - CPI	2.2%	2.2%
Rate of increase in salaries	3.45%	3.45%
Rate of increase in pensions	2.2%	2.2%
Discount rate for scheme liabilities	1.4%	2.2%

Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum amount.

The basis of the CPI assumption has changed at 31 July 2020. The impact of the change in this approach is estimated to be an increase in the defined pension obligation of up to £2.7million as the CPI assumption is now 0.4% higher than it would have been under the previous methodology.

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

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

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

	2020 £ millions	2019 £ millions
Total market value of West Yorkshire Pension Fund as at 31 July 2020 (30 June 2019)	14,321	14,908
	Asset split at 31 July 2020	Asset split at 31 July 2019
Equities	77.7%	78.6%
Property	4.3%	4.3%
Government bonds	10.0%	9.9%
Corporate bonds	5.0%	3.6%
Cash	1.6%	2.1%
Other	1.4%	1.5%

Notes (continued)

20 Pensions and similar obligations (continued)

	2020 £'000	2019 £'000
University's estimated asset share	12,172	12,209
Present value of scheme liabilities	(25,881)	(19,321)
Deficit in the scheme	(13,709)	(7,112)
Analysis of the amount charged to the Statement of Comprehensive Income	2020 £'000	2019 £'000
Employer service cost (net of employee contributions)	1,362	1,108
Analysis of amounts as an expense	2020 £'000	2019 £'000
Current service cost	1,362	837
Past service cost	-	271
Net interest cost	151	104
Pension finance cost	1,513	1,212
Amounts recognised in Other Comprehensive Income (OCI)	2020 £'000	2019 £'000
Total actuarial losses	(5,589)	(2,434)
Movement in deficit during year	2020 £'000	2019 £'000
Deficit in scheme at beginning of year	(7,112)	(3,947)
Movement in year:		
Current service cost	(1,362)	(837)
Past service cost	-	(271)
Employer contributions	505	481
Net interest	(151)	(104)
Actuarial loss	(5,589)	(2,434)
Deficit in scheme at end of year	(13,709)	(7,112)

Notes (continued)

20 Pensions and similar obligations (continued)

Asset and liability reconciliation

	2020 £'000	2019 £'000
Reconciliation of liabilities		
Liabilities at start of period	19,321	14,986
Current service cost	1,362	837
Past service cost	-	271
Interest cost	425	420
Employee contributions	239	216
Actuarial loss	4,818	2,792
Benefits paid	(284)	(201)
Liabilities at end of period	<u>25,881</u>	<u>19,321</u>

Reconciliation of assets

	2020 £'000	2019 £'000
Assets at start of period	12,209	11,039
Interest income on assets	274	316
Actuarial (loss)/gain	(771)	358
Employer contributions	505	481
Employee contributions	239	216
Benefits paid	(284)	(201)
Assets at end of period	<u>12,172</u>	<u>12,209</u>

21 Capital commitments

Capital commitments as at 31 July 2020 totalled £nil.

Notes (continued)

22 Financial commitments

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

	2020 £'000 Land and buildings	2020 £'000 Other	2019 £'000 Land and buildings	2019 £'000 Other
Expiry date				
- within one year	46	32	46	29
- between two and five years	101	60	146	85
	<u>147</u>	<u>92</u>	<u>192</u>	<u>114</u>

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.

23 Related party transactions

Due to the nature of the University's operations and the composition of the senior management team and Board of Governors (including members being drawn from public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors or senior management team may have an interest. All transactions involving organisations in which a member of the Board of Governors or a member of the senior management team may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. The following arms' length transactions took place during the year:

Transactions with the Education and Skills Funding Agency (and its predecessors) and HEFCE/OfS are detailed in notes 2, 15 and 16. The President of the Student Union is a member of the Board of Governors. Grants paid to the Student Union by the University totalled £24,000 (2019/20: £32,000). Governor Karen Watson is Artistic Director of East Street Arts and was a governor of the University until 15 September 2019. Rent paid to East Street Arts by the University to 15 September 2019 totalled £260 (2018/19: £1,830). Sundry amounts paid to the University by East Street Arts to 15 September totalled £nil (2018/19: £nil).

The Vice-Chancellor is a member of the following organisations. Transactions took place at arms length during the year:

Related Party	Relationship	Description	Expenditure - £	Balance at year end
UCEA	Board member until October 2019	Subscription	4,461	Nil
GuildHE	Director	Subscriptions and conference	21,698	Nil
HESA	Trustee since September 2019	Subscription and training	6,385	Nil
Yorkshire Universities	Director	Subscription	3,333	Nil
UKADIA	Member	Subscription	1,530	Nil

Professor David Russell is a Board member of Go-Higher West Yorkshire. The following transactions took place at arms length during the year:- Subscription paid £7,700. There was no amounts outstanding at the year end.

Professor David Russell is a connected person by virtue of being the Vice-Chancellor's spouse. Details of salary paid by the University to Professor Russell is set out in Note 8 to the accounts. The University also pays employer contributions to the Teachers Pension Scheme for Professor Russell.

