



**LEEDS CONSERVATOIRE  
(FORMERLY LEEDS COLLEGE OF MUSIC)**

**A COMPANY LIMITED BY GUARANTEE  
(COMPANY NUMBER 7596410)**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 JULY 2021**

### **KEY MANAGEMENT PERSONNEL**

Key management personnel are defined as members of the conservatoire's executive leadership team and were represented by the following in 2020/21:

Professor Joe Wilson	Principal (and Accountable Officer)
Patsy Gilbert	Interim Vice Principal
Eleanor Moore	Director of Quality and Student Experience
Anna Keogh	Director of Marketing and Student Recruitment

### **BOARD OF DIRECTORS**

A full list of Directors is given on pages 16 & 17 of these financial statements. Ms Melanie Halstead acted as Director of Governance throughout this period.

### **PROFESSIONAL ADVISORS**

#### **FINANCIAL STATEMENTS AND REPORTING ACCOUNTANTS**

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

#### **INTERNAL AUDITORS**

RSM  
2 Wellington Place  
Leeds  
LS1 4AP

#### **BANKER**

Santander  
1-2 Triton Square  
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NW1 3AN

#### **SOLICITOR**

Eversheds LLP  
Bridgewater Place  
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The Directors present their report and the audited financial statements for the year ended 31 July 2021.

### **Legal status**

The company was incorporated on 7 April 2011 as a wholly owned subsidiary undertaking of Luminate Education Group Corporation (The Corporation). The company is an exempt charity for the purposes of the Charities Act 2011.

The institution was designated by statutory instrument on 22 June 2018 as an institution eligible to receive funding from the Office for Students. On 11 August 2020, Leeds College of Music changed its name to become known as Leeds Conservatoire.

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

Our vision is to be a leading European conservatoire.

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

We will achieve this by living the following values:

- Creative
- Rigorous
- Supportive
- Sustainable

### **Public Benefit**

Leeds Conservatoire is an exempt charity under Part 3 of the Charities Act 2011 regulated by the Secretary of State for Education through the Office for Students. The directors of the Board, who are trustees of the charity, are disclosed on pages 16 & 17.

In setting and reviewing the conservatoire's strategic objectives below, the board has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

- High quality teaching
- Widening participation and aspiration to Higher Education
- Excellent employment for students
- Strong student support systems
- Links with employers, industry and commerce.

### Implementation of strategic plan

2020/21 was the first year of our interim Strategic Plan 2020 – 22. Our priorities for this period were:

1. Delivering an exceptional learning experience
2. Ensuring the safety and wellbeing of our community
3. Making sure we are sustainable for the long term

The Leeds Conservatoire executive and the conservatoire board monitored progress against these priorities regularly through a set of key performance indicators (KPIs).

#### **Strategic aim 1:** Delivering an exceptional learning experience

Whilst Covid-19 had not impacted on our overall teaching delivery of the first year of the interim strategic plan, it did impact on the student experience as evidenced by the National Student Survey. The conservatoire's survey response rate was 76%, down 9 percentage points from last year. Although this is a relatively low rate (in terms of recent years), it is still above the 10 year average (73%). The published results by NSS Scale showed decreases in agreement rate in almost every area.

- Learning Resources and Overall Satisfaction had shown the most significant drop in agreement, each reducing by at least 15 percentage points;
- The teaching on my course, learning opportunities, Academic support, Organisation & management, learning community and Student voice had each reduced by at least 8 percentage points;
- Assessment & feedback and the Student Union question had also fallen, but not significantly (by less than 5 percentage points each).

However, reduction in agreement rates is universal across the Higher Education sector: the only area in which LC differs significantly to the rest of the sector is Assessment and Feedback, which was 8 percentage points higher than the sector benchmark (where a difference of at least 5 percentage points is considered significant).

Results at pathway level are polarised: Songwriting, Pop and Film had all returned relatively high results, whilst Business, the FDs, Jazz, Classical and BA Production returned significantly lower results. Folk was not included as it did not reach the publication threshold. The formal reporting of pathway level Action Plans in response to the National Student Survey are aligned with our requirement to produce an Annual Monitoring, Review and Enhancement of Programmes (AMREP) document for our validating body, the University of Hull. This process forms a single cycle of reporting, action planning and implementation, and impact analysis.

This year was been successful in terms of KPI's for Access and Participation. The conservatoire board considered the progress made against the conservatoire's Access and Participation Plan 2019/20. It confirmed that all targets had been met with the exception of 'Maintain the zero achievement gap between disabled students and students with no disability as the proportion of disabled students increases'.

For the last year, the majority of our Access work had been in collaboration with Go Higher West Yorkshire and the Uni Connect project. We had supported virtual Higher Education Fairs, provided online sessions supporting FE/Sixth Form students with advice for auditions and portfolios and created teaching resources for schools to utilise.

Outside of Go Higher West Yorkshire, our Access and Participation manager had co-founded a network of Widening Participation professionals from across the UK's conservatoires, drama schools and Dance institutions, this now has 27 members and is a platform for best practice sharing. Our schools and Colleges liaison team had also worked hard to create an online hub of resources for schools to access during the pandemic, this includes a range of teaching and careers resources.

We also launched our Access All Areas initiative, which was designed to support underrepresented young people in Yorkshire currently studying in FE/Sixth Form level to explore what studying music or performing arts could look like – we recruited 9 young people to the drama strand of the programme and they have currently completed 2 out of the 6 sessions.

We have continued to attract musicians and audiences from all age groups to take part in our creative activities. These include Leeds Junior Conservatoire, our work with school and college partners, an annual concert season and the Sounds Like This festival. Our students take creative discovery out into the city through our flagship ensembles, and through community music projects and live music management projects as part of the curriculum. Our students also perform regularly at venues across Leeds.

**Strategic aim 2:** Ensuring the safety and wellbeing of our community

As of 20th September 2021, Higher Education, Junior Leeds Conservatoire and Yorkshire Young Musicians students have returned to face to face teaching at all conservatoire locations. Additionally, for the first time since lockdown commercial clients such as the Leeds International Piano Competition have used our facilities. Despite this, Leeds Conservatoire continues to take all necessary steps to reduce the transmission of Covid-19 through risk assessment, additional health and safety measures and blended delivery with a mixture of face to face and online learning continuing into the 2021/22 academic year.

The Competition and Markets Authority (CMA) required us to ensure that all HE students were informed of how teaching would be delivered by March 2021. Therefore, whilst the risk remained that teaching would be subject to being delivered under Covid-19 secure conditions, we have timetabled teaching under social distancing capacity for semester 1. Use of public spaces is not under social distancing, so that we can maximise student use of facilities whilst ensuring that if any future lockdown occurred we could still deliver what was outlined to students and therefore not place ourselves at risk with the CMA. This approach will minimise disruption to timetabled classes should restrictions be reintroduced later in semester 1, minimise disruption to practical teaching by reducing the risk of staff and students needing to self-isolate, and ensure that staff feel safe to teach on-campus. We are encouraging all staff and students, particularly those who are or will be coming on campus, to take a twice weekly lateral flow test.

We have publicly stated that we are very keen that all conservatoire staff (and students) are fully vaccinated, other than those unable to do so for medical reasons. Staff and students are directed to NHS Leeds CCG website to book appointments. Staff are asked to book appointments outside of working hours where at all possible; especially trying to avoid any student contact time. In cases where this is not possible, for example childcare and dependent care responsibilities, staff contact their line managers and get approval as they would for any other medical appointment, in line with the Leave of Absence policy.

Any Covid-19 related sickness absence, whether someone has caught the virus or suffered an adverse reaction to the vaccine, will be considered extremely sympathetically and vaccine-related sickness absence will not count towards 'trigger' points. Despite Covid-19, KPIs for staff turnover and staff absenteeism were met, in particular absenteeism remained low (4% against the KPI of 4.0%). Staff satisfaction was good: 90% of staff reported that they were proud to work at the conservatoire against a target of 90%.

**Strategic aim 3:** Making sure we are sustainable for the long term

The financial performance for the year has been strong with the budgeted operating surplus exceeded at the year end. Commercial income has been hit hard by various measures aimed at reducing the spread of Covid-19, including closure of venues and hire space. The anticipated risk associated with greater attrition of student numbers during the period of remote learning has not materialised in the current year.

Linked to the risk identified relating to a lack of estates capacity limiting recruitment and delivery, the board considered a paper detailing the studio space requirements for September 2021 and supported a proposal for additional studios to be developed temporarily at the Luminate Group's Mabgate site. Capital cost would be met by the Luminate Group. Future rental costs would be included in the conservatoire's operating budget.

Studio space planning at the Luminate Mabgate campus is now at an advanced stage with a completion date of January 2022. The costs of additional specialist space hire in the interim (September-December 2021) are included in the budget for 2021/22.

Other space usage planning for next year and beyond: timetable data collection for 2021/22 is underway, and we are planning for blended delivery in Semester 1.

Student feedback suggested that some had found online delivery more effective than on-campus delivery in certain areas, so a survey is being run to pinpoint those areas to inform planning. We have noted that the recommendations of the Augar review are back in focus in government. The recent OfS funding cuts for arts and humanities subjects have little financial impact on the conservatoire (a 1% reduction in overall income), but are a clear indication of the political debate around the 'value' of higher education.

In preparation for any future financial challenges, a project has now begun to review and redevelop the whole conservatoire curriculum for 2024 entry, as part of our application for Degree Awarding Powers. The timeline for full internal approval of all of the provision is May 2022.

To date, four staff development sessions have taken place to consult on:

- Limitations of the current curriculum
- Proposals for a new curriculum framework
- Integration of EDI, Access and Participation and Digital/Technical Skills and extracurricular creative activity into the curriculum
- Transition from Further Education (led by Leeds City College colleagues)
- Market analysis and financial planning
- A revised committee structure for programme approvals to facilitate integrated academic and business planning

This year our conversion rate from offer to acceptance has increased by 6% (41% in 2020 and currently 46%). This is a great achievement and shows that the online conversion work we have been doing has been successful in supporting applicants make their decisions.

Commercial and full-cost income was suppressed during the Covid-19 pandemic, but this was offset by savings in a number of areas due to the reduction of activities across the conservatoire.

### **Financial objectives**

The financial objectives adopted by the conservatoire should be read in the context of the strategic plan to achieve growth in Higher Education (HE) numbers and funding. The financial objectives underpinning the financial plans are that we will achieve earnings before interest, taxation, depreciation and amortisation (EBITDA) in the region of 8-12%, allowing the conservatoire to generate positive operating cash flows to enable continued investment in resources. All of our departments will manage their work to agreed budgets and forecasts for each academic year. We will achieve annual student number targets for recruitment and retention, with input from academic and professional support departments.

### **Financial results**

The conservatoire generated a deficit before other gains and losses of (£790k) during the year ended 31 July 2021 (2019/20: deficit of (£1,670k)), with total comprehensive income of £2,459k (2019/20: total comprehensive loss of (£10,036k)).

At an operational level, the conservatoire's financial position for the year has been strong, with year on year increases in tuition fee income for HE. Once new courses within the curriculum reach maturity, with the other plans, it will ensure the continuing viability and sustainability of the conservatoire's specialist operations.

The conservatoire's deficit for the year of (£790k) is after the inclusion of the following items below:

- FRS102 pension costs being the difference between the estimated liability charge to the conservatoire and that paid by the conservatoire in employer contributions of £772k (2019/20: £737k), recorded in staff costs.
- Net interest of £248k (2019/20: £172k) on the conservatoire's liabilities within the West Yorkshire Pension Scheme, reported within Interest and other finance costs.

An actuarial gain of £3.2m on the pension scheme meant total comprehensive income was £2.4m in surplus in the year.

Further discussion of the derivation of the pension costs is set out in Note 16 to these accounts.

The current funding regime for higher education students provides the conservatoire with the opportunity to pursue growth in its core business through increased student numbers. The key to improving financial health will be for the institution to maintain the current cost profile of its new curriculum whilst maintaining the quality of provision and support necessary to both attract further growth over future years and retain existing enrolled students.

### **Financial results (continued)**

The financial performance in 2020/21 was strong, with an EBITDA surplus generated against an original budgeted deficit. This contributed towards the aim of improving the conservatoires' operating model through continued student growth and capital investment necessary to accommodate this growth. Much of this improved financial position was as a result of a strong student recruitment round for 2020/21 with a higher than usual level of retention throughout the year. In addition, pay and operating costs were carefully controlled whilst ensuring that appropriate resources were available to support the level of students recruited. The incorporation of new business planning processes to ensure that it is realised and a further commitment to a shared service approach to core business functions have been adopted. The predicted growth in student enrolments will be reached through new programmes in the performing arts, international students and through a suite of new Masters qualifications.

In common with all HE institutions the conservatoire's principal source of funding has shifted from grants to fees. We continue to seek diversification of income in the future, with our development and events teams making good progress in this area.

### **Balance Sheet**

The conservatoire has £13.3 million of net assets prior to providing for a £17.1 million defined benefit pension liability and long-term debt of £1.7 million. The treasury activity for the conservatoire is managed through the group and consequently the conservatoire holds limited cash balances with working capital managed through amounts owed to or by the group. The improved financial performance of the conservatoire has led to stronger working capital position at the year end with net current assets totalling £1,451k when compared with a net current liability of £460k the previous year.

### **Treasury policies and objectives**

Treasury management is the management of the conservatoire's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. As part of the group, surplus cash balances are managed as part of a group treasury function. The Principal does not have any authority to enter into borrowing on behalf of the conservatoire.

### **Liquidity**

The conservatoire's balance sheet reports an inter-company balance with Luminare Education Group of £2.8 million, representing the conservatoire's cash reserves. This is sufficient to meet the on-going working capital and investment needs of the operation.

### **Post-balance sheet (non-adjusting) events**

There are no significant post balance sheets events this year.

### **Going concern**

The activities of the conservatoire together with the factors likely to affect its future development and performance are set out in the Directors' Report and Strategic Report. The financial position of the conservatoire, its cash flow, liquidity and borrowings are described in the financial statements and accompanying notes.

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

After reviewing these forecasts, the directors are of the opinion that, taking account of severe but plausible downsides the conservatoire will have sufficient funds, through funding from its immediate parent (Luminate Education Group) to meet its 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 conservatoire is the wholly owned subsidiary of the Corporation of Luminate Education Group. As part of the Luminate Education Group, the conservatoire participates in a group treasury arrangement whereby the working capital fluctuations of the conservatoire are supported by the group treasury function. The conservatoire has no other form of borrowing open to it. Thus, for the conservatoire to continue to trade as a going concern the group treasury function needs to provide assurance it can continue to support the working capital requirements of the conservatoire going forward.

Luminate Education Group continues to support the conservatoire on an ongoing basis. The entities have a shared purpose, vision and aligned strategic objectives. Luminate Education Group sees the conservatoire as an important part of the group through its delivery of HE courses and integral to the ongoing development of group brand. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Due to the seasonal profile of funding within the further and higher education colleges sectors, the group has previously made use of an overdraft to cover working capital requirements for the period of January to May, when the main Higher Education (HE) loan funding is received. The cash balances of the group have improved recently as a result of strong financial performance and the refinancing of the previous arrangements that were in place for long term debt and working capital. The refinancing activity took place in early 2021 and comprises of an amortising £32m long term long and a short-term bridging loan of £6.5m associated with the disposal of the Horsforth site. At completion of the sale of the Horsforth site on 3 November 2021, the bridging loan was repaid and the group working capital position was further improved following receipt of the net sales proceeds. These refinancing arrangements were analysed in detail with Santander with regards to the associated covenants and tested against the group's forecasted financial performance.

### **Going concern (continued)**

Following the completion of the sale of the former Horsforth campus on 3 November 2021 the financial position of the group was further strengthened as a result of the repayment of the bridging loan and the increase in cash reserves from the net sales proceeds retained.

The Group has committed to purchasing a site at Mabgate for £9.6m in December 2021. This site has been initially leased under a contract that stipulates the purchase at this date. The group has secured a revolving credit facility from Santander to fund the majority of the cost with the balance funded from cash resources.

Based on these indications the group believes that it remains appropriate to prepare the financial statements on a going concern basis.

### **Stakeholder Relationships**

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

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

In readiness for the institution's curriculum expansion in performing arts degrees, new partnerships and memorandums of association with the region's leading arts companies were created. These include Opera North, Leeds Playhouse, Red Ladder Theatre Company and Backstage Academy.

### **Equality and diversity**

Leeds Conservatoire is committed to valuing diversity and promoting equality and inclusion. We seek to maximise the potential of our staff and students, be responsive to new ideas, and equip our students for life in a multicultural and diverse society.

#### Our Commitment

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

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

Commitments to equality will be applied irrespective of:

- age
- disability
- gender and gender reassignment
- marriage and civil partnership

### **Equality and diversity (continued)**

- neurodiversity
- pregnancy and maternity /paternity
- race
- religion or belief
- sex
- sexual orientation

These commitments are championed by the Equality, Diversity and Inclusion Committee and actively considered when producing or reviewing the conservatoire policies and procedures. The conservatoire's EDI Action Plan incorporates actions to achieve and embed these commitments and explains how the conservatoire will implement them. EDI reports and actions are published on our website: <https://www.lcm.ac.uk/about-us/corporate/equality-diversity/>

### **Disability support**

The conservatoire has a well-established Disability Support team as part of its Student Services offer to prospective and current students. Prospective students are supported by the Disability Support team through audition or interview as needed.

The team includes Disability Advisers, Study Skills tutors and a Specialist Mentor who offer support to DSA funded students as well as those students studying at the conservatoire who would benefit from ad-hoc support.

This may take the form of support such as the provision of assistive technologies, specialist equipment, mentoring, and training for academic staff to ensure learning and teaching materials are fully accessible, lecture notes being made available in advance of lectures, extra exam time, audio recording of classes and a lecture capture system, Panopto.

The staff in the Disability Support team also work closely with the Health and Wellbeing team thus ensuring that, for example, tailored mental health support is available to students who would benefit from it.

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

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

Approved by order of the Board of Directors on 30 November 2021 and signed on its behalf by:



**Jenny Hoy**  
Chair of the Board of Directors  
Leeds Conservatoire  
3 Quarry Hill  
Leeds  
LS2 7PD

The conservatoire had a successful year to 31 July 2021, and significant progress was made against the strategic plan.

For the most part, indicators of performance and management of risk was positive, as can be seen below. Where there were negatives, for example with an operating deficit being incurred, these will be learnt from and actions taken forward to continually improve our outcomes.

### **Student numbers**

In total, 1,492 HE students were enrolled at the conservatoire (on the 1<sup>st</sup> of November) in 2020/21 (2019/20: 1,297), comprising 1,453 undergraduate students and 39 postgraduate students (2019/20: 1,261 undergraduate students and 36 postgraduate students).

### **Curriculum developments**

The BA (Hons) in Musical Theatre commenced in September 2019 and now has its second cohort in bespoke facilities on Quarry Hill totalling 1,300 square metres. These facilities also house degrees in Acting and Actor Musician which launched with their first cohorts in September 2020 with full cohorts, and a suite of performing arts MAs is planned to commence in September 2022 and was successfully validated by the University of Hull.

### **Key Performance Indicators**

#### **Academic profile**

The percentage of BA (Hons) students graduating in 2021 who achieved a 2.1 or higher was 91%, significantly higher than the previous year's figure of 83.1%.

#### **Student satisfaction**

Results from the 2021 National Student Survey, showed LC's Overall Satisfaction is at 69%, a decrease of 15 percentage points from the previous year, and significantly lower than the average for conservatoires (76%), Yorkshire universities (76%), and other music providers (75%). However, it should be noted that this is in line with rest of the Higher Education sector as a whole and a result of the impact of the pandemic on delivery of face to face teaching.

#### **Future prospects**

Looking ahead the future of the conservatoire remains positive if challenging. Increased competition within the HE sector means that sustaining and improving market position requires investment in facilities, enhancement to the curriculum and growth into new markets.

A robust market position has been strengthened by formal agreements with the nationally recognised arts and music organisations, increased feeder school and open day activities and the removal of audition fees. These actions, alongside an expanding curriculum and exemplary facilities, has positioned the conservatoire to be able to grow its market share.

#### **Environmental matters**

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

### **People and Resources**

The staff headcount of the conservatoire as an average for the year was 382, and the full-time equivalent was 147. 63% of post holders were male and 37% female. There is one Senior Post Holder, the Principal who is the Accountable Officer and is male. The conservatoire's staff are a significant resource with many having national and international profiles in their field.

Tangible resources include the conservatoire's main building, with specialist facilities including recording studios, performance and rehearsal spaces, musical instruments and equipment. The other parts of the estate include a bespoke music library building, which opened in 2017, and the specialist performing arts teaching spaces, which opened in 2019.

### **Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998 requires companies, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the accounting year ended 31 July 2021 the conservatoire paid 94% (prior year 95%) of its invoices within 30 days. No interest charges were incurred in respect of late payment for this period.

### **Trade Union facility**

As part of the Trade Union Act 2016, we are required to publish information on trade union facility time. This information is for 1st April 2020 to 31st March 2021. Four employees with a full-time equivalent employee number of 3.00 spent between 1 and 50% of their time providing this facility. The cost of providing this facility was £13,458, representing 0.21% of the total pay bill for the conservatoire during this period. The time spent on paid trade union activities as a percentage of total paid facility time was 0%.

### **Principal Risks and Uncertainties**

The conservatoire has identified a number of key strategic risks that affect the whole institution and manages these in accordance with the Luminate Education Group Risk Management Policy. The Principal has responsibility for the strategic risk register, overseen by the Audit Committee and the Board of Directors. The Audit Committee use risk reports on a regular basis and link them to the work of both internal and external auditors to enable them to comment upon the adequacy of the process. The Luminate Education Group's internal auditors use the risks to inform their prospective work plan so that the plan is focused upon the key risks facing the conservatoire.

The uncertain political climate around the future of government policy on post-18 education is further exacerbated by Covid-19, with delays in the planned Spending Review and further consideration of the Augar Review. While current scenario and contingency planning is dominated by recovery from the pandemic, the conservatoire remains alert to developments in government policy and its potential impact on future HE tuition fees. The 'value' of creative arts education in terms of graduate outcomes and earnings is still under discussion as part of a number of consultations on Office for Students regulation, and potential impacts on our future planning are captured in the strategic risk register.

### Principal Risks and Uncertainties (continued)

We have identified the principal risks below:

- *Lack of estates capacity limits our student recruitment and course delivery.* We aim to offer students an exceptional learning experience in exemplary facilities, and growing student numbers continue to exert pressure on the space available. Our Estates Strategy runs to 2022, and a review of increased teaching accommodation needs for performing arts growth has commenced.
- *Failure to maintain our market position against competitors.* Our market position is strong, but our competitors' own strategies may lessen our ability to operate sustainably. We have several strategies in place to secure our provision, including applying for Taught Degree Awarding Powers which will enable us to review and expand our curriculum more quickly in response to changing market conditions. We are building feeder school relationships, increasing open day activity (online as well as in person) and improving our digital presence to reflect our expanding curriculum. We have also removed audition fees, to make sure that applicants from all backgrounds can access our provision without being deterred on cost grounds.
- *Financial sustainability.* We have invested significantly in our facilities in recent years, to protect our market share and improve the student experience. We need to maintain the financial flexibility to accommodate further annual capital investment. With the support of the Luminate Education Group we have implemented a more detailed and rigorous approach to business planning, financial forecasting and scenario planning. The current five-year financial forecast aims to strengthen the underlying financial performance of the conservatoire and grow cash generation.

We made significant progress against many of these during the year and whilst the risk levels with planned mitigation are judged acceptable, close monitoring of them is nevertheless actively maintained.

Approved by order of the Board of Directors on 30 November 2021 and signed on its behalf by:



**Jenny Hoy**  
Chair of the Board of Directors  
Leeds Conservatoire  
3 Quarry Hill  
Leeds  
LS2 7PD

The following statement is based on Office for Students (OfS) guidelines and reflects the conservatoire’s regard for the Higher Education Code of Governance (‘the Code’) published by the Committee of University Chairs (CUC). The conservatoire conducts its business in accordance with accepted standards of behaviour in public life (the ‘Nolan Principles’) which embrace selflessness, integrity, objectivity, accountability, openness, honesty and leadership. Each year board members sign a register of interests and routinely declare any interests in relation to any matters under discussion at meetings.

This statement is provided to enable readers of the annual report and financial statements of the conservatoire to obtain a better understanding of its governance and legal structure. It covers the period from 1 August 2020 to 31 July 2021 and up to the date of the approval of the annual report and financial statements.

The conservatoire is committed to exhibiting best practise in all aspects of corporate governance and, in the opinion of the Board of Directors, it complied with the provisions of the Code throughout the period ended 31 July 2021. A full review of compliance against the Code was carried out in 2018 and, at its meeting held in October 2020, the Board adopted the updated Higher Education Code of Governance (‘the updated Code’) published by the CUC in September 2020.

Leeds Conservatoire is a company limited by guarantee and is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Board of Directors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have due regard for the Charity Commission’s guidance on public benefit and that the required statements appear elsewhere in these financial statements.

### The Board of Directors

The following persons served on the Board of Directors during the year and up to the date of signature of this report. They served as Directors for the purposes of the Companies Act 2006 and as Trustees for the purposes of the Charities Act 2011.

<b>Name and status</b>	<b>Date of most recent Appointment</b>	<b>Term of Office</b>	<b>Date of Resignation</b>	<b>Attendance at board meetings during 2020/21</b>
<b>Joe Allen</b> – President of The Leeds Conservatoire Students’ Union	1 <sup>st</sup> Aug 2021	Ex officio	N/A	N/A
<b>Hollie Arnold</b> – President of The Leeds Conservatoire Students’ Union	1 <sup>st</sup> July 2019	Ex officio	31 <sup>st</sup> July 2021	6 out of 6
<b>Colin Booth OBE</b> (Luminate Education Group CEO)	1 <sup>st</sup> Oct 2015	Ex officio	N/A	6 out of 6
<b>Elise Brown</b> – External Member	1 <sup>st</sup> Sept 2019	4 years	N/A	6 out of 6

LEEDS CONSERVATOIRE  
 FINANCIAL STATEMENTS  
 For the year ended 31 July 2021  
 STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

<b>Name and status</b>	<b>Date of most recent Appointment</b>	<b>Term of Office</b>	<b>Date of Resignation</b>	<b>Attendance at board meetings during 2020/21</b>
<b>Aaron Casserly-Stewart</b> – External Member	1 <sup>st</sup> Sept 2019	4 years	N/A	6 out of 6
<b>Cherry Fricker</b> – External Member	8 <sup>th</sup> June 2019	4 years	N/A	5 out of 6
<b>Prof Paul Hollins</b> – External Member	1 <sup>st</sup> Sept 2019	4 years	N/A	6 out of 6
<b>Jenny Hoy</b> (Chair wef 22 Jan 2021) – External Member	1 <sup>st</sup> Sept 2019	4 years	N/A	6 out of 6
<b>Carolyn Lord</b> – External Member	1 <sup>st</sup> Dec 2019	4 years	N/A	6 out of 6
<b>Cluny Macpherson</b> – External Member	1 <sup>st</sup> May 2021	4 years	N/A	1 out of 1
<b>Dr Shaid Mahmood</b> (Chair to 22 Jan 2021) – External Member	1 <sup>st</sup> August 2019	4 years	N/A	5 out of 6
<b>Claire Marsh</b> – Staff Member	11 <sup>th</sup> Oct 2018	4 years	N/A	6 out of 6
<b>Dr Claire Mera-Nelson</b> – Co-opted Member	21 <sup>st</sup> Nov 2019	4 years	4 <sup>th</sup> Jan 2021	1 out of 2
<b>Chris Monks</b> – External Member	1 <sup>st</sup> Sept 2019	4 years	N/A	5 out of 6
<b>Benjamin Saunders</b> – External Member	18 <sup>th</sup> Oct 2021	4 years	N/A	6 out of 6
<b>Dr Amanda Wilcox</b> – External Member	1 <sup>st</sup> Dec 2019	4 years	N/A	6 out of 6
<b>Prof Joe Wilson</b> – Leeds Conservatoire Principal	1 <sup>st</sup> Oct 2020	Ex officio	N/A	6 out of 6

### **Appointments to the Board of Directors**

The Board, through a Governance & Nominations Committee, ensures that there is an appropriate balance of skills and experience among its members. The board's constitution includes the Principal, the President of the Students' Union and an elected staff member. The remaining members are external and independent to the conservatoire. Board members are not remunerated for the work they do in this capacity. Members of the Board are appointed for a term of office not exceeding four years.

In accordance with the Companies Act 2006, Directors have a statutory duty to promote the success of the organisation for the benefit of its members. The Board usually holds at least four formal business meetings each year. In addition, it holds an annual away day to provide an opportunity to consider matters of strategic importance in greater depth and the Board retains the discretion to hold extraordinary meetings should the need arise.

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

Leeds Conservatoire  
3 Quarry Hill  
Leeds  
LS2 7PD

The Board has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Principal has a general responsibility to the Board for the organisation, direction and management of the institution. There is a clear division of responsibility in that the roles of the Chair and Principal are separate. Under the Terms and Conditions of Funding and ongoing registration with the OfS the Principal is the Accountable Officer of the institution. In that capacity the Principal (and the Chair of the Board) can be summoned to appear before the Public Accounts Committee of the House of Commons. This responsibility extends to assuring the quality and accuracy of conservatoire data provided to OfS, the Higher Education Statistics Agency (HESA) and other public bodies.

### **Leeds Conservatoire Audit Committee**

The Audit Committee comprises of three members of the Board and one co-opted member. Its membership excludes the Principal and the Chair of the Board. The committee operates in accordance with written terms of reference approved by the Board.

The Audit Committee usually meets four times per year and provides a forum for reporting by the conservatoire's internal, regularity and financial statements auditors, who have access to the committee for independent discussion, without the presence of management.

The internal auditors review the systems of internal control, risk management and governance processes, and economy, efficiency and effectiveness in accordance with an agreed plan of input and report their findings to management and the committee.

### **Leeds Conservatoire Audit Committee (continued)**

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

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

### **Group Governance & Nominations Committee**

This group committee advises on the appointment / reappointment, training and ongoing development of Board and Committee members and keeps under review the systems, policies and procedures supporting the governance process. This includes responsibility for oversight of reviews of Board effectiveness; the last full review of Leeds Conservatoire Board effectiveness took place in 2018 with a follow up review underway based on the updated Code of Governance.

### **Group Remuneration Committee**

The committee advises on the remuneration, conditions of service and any severance arrangements for the Principal. In carrying out its responsibilities the committee is mindful of the requirements of the OfS. The committee also has regard to the Higher Education Senior Staff Remuneration Code published by the CUC. The Principal does not serve as a member of the Remuneration Committee or attend its meetings. The committee operates in accordance with a clear policy framework which was last updated in 2021.

### **Scope of responsibility**

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

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

### **Internal Control**

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the conservatoire's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the conservatoire for the period ended 31 July 2021 and up to the date of approval of the annual report and accounts.

## **Internal Control (continued)**

### **Capacity to handle risk**

The Board has reviewed the key risks to which the conservatoire is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that there is a formal on-going process for identifying, evaluating and managing the conservatoire's significant risks that has been in place for the period ending 31 July 2021 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board.

### **The risk and control framework**

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

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

The conservatoire has an internal audit service which operates in accordance with the requirements of the Office for Students' Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the conservatoire is exposed and annual internal audit plans are based on this analysis.

At minimum, annually, the Head of Internal Audit (HIA) provides the board of governors with a report on internal audit activity in the group. The report includes the HIA's independent opinion on the adequacy and effectiveness of the group's system of risk management, controls and governance processes.

### **Review of effectiveness**

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

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

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

Based on the advice of the Audit Committee and the Principal, the Board is of the opinion that the conservatoire has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "*the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets*".

**Going Concern**

After making appropriate enquiries, the Board considers that the conservatoire has adequate resources to continue in operational existence for the foreseeable future, which includes the support offered by the Luminate Education Group FE Corporation (see Note 1 to the Accounts on page 34). For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the Board of Directors on 30 November 2021 and signed on its behalf by:



**Jenny Hoy**  
Chair of the Board of Directors  
Leeds Conservatoire



**Professor Joe Wilson**  
Principal (Accountable Officer)  
Leeds Conservatoire

The conservatoire has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the corporation's grant funding agreement and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

We confirm on behalf of the conservatoire that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the conservatoire, or material non-compliance with the terms and conditions of funding, under the conservatoire's grant funding agreements and contracts with the ESFA, or any other public funder.

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

Approved by order of the Board of Directors on 30 November 2021 and signed on its behalf by:



**Jenny Hoy**  
Chair of the Board of Directors  
Leeds Conservatoire



**Professor Joe Wilson**  
Principal (Accountable Officer)  
Leeds Conservatoire

The members of the Board of Directors are responsible for preparing the Directors' Report, the Strategic 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 Research England's Terms and Conditions of Research England Grant and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Company's 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 2015 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.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their income and expenditure, gains and losses and changes in reserves for that period. In preparing the Company financial statements, the directors 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. 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 group and to prevent and detect fraud and other irregularities.

The Board are also responsible for ensuring that:

- funds from whatever source administered by the conservatoire for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- 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 conservatoire's resources and expenditure.

LEEDS CONSERVATOIRE  
FINANCIAL STATEMENTS  
For the year ended 31 July 2021  
STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE BOARD

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

Approved by order of the members of the Board on 30 November 2021 and signed on its behalf by:



**Jenny Hoy**  
Chair of the Board of Directors  
Leeds Conservatoire

## Opinion

We have audited the financial statements of Leeds Conservatoire (“the conservatoire”) for the year ended 31 July 2021 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Cash Flow Statement 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 conservatoire’s affairs as at 31 July 2021, and of the conservatoire’s income and expenditure, gains and losses and changes in reserves, and of the conservatoire’s cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been properly prepared in accordance with the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the conservatoire 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 Directors has prepared the financial statements on the going concern basis as they do not intend to liquidate the conservatoire or to cease their operations, and as they have concluded that the conservatoire’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”).

In our evaluation of the Board of Director’s conclusions, we considered the inherent risks to the conservatoire’s business model and analysed how those risks might affect the conservatoire’s financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board of Director’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
- we have not identified and concur with the Board of Director’s assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the conservatoire’s ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the conservatoire will continue in operation.

#### **Fraud and breaches of laws and regulations – ability to detect**

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management and the audit committee, through inspection of policy documentation as to the conservatoire’s high-level policies and procedures to prevent and detect fraud, including channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we considered there to be a risk of fraud relating to tuition fee income in regards to flexible provision and courses that run across the year-end

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the fraud risk management controls

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those with an unexpected debit/credit posting, those posted by infrequent users.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Board of Directors and other management (as required by auditing standards) and discussed with the Board of Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the conservatoire is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Board is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, taxation legislation, pensions legislation and specific disclosures required by higher education legislation and related legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the conservatoire is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: compliance with Higher Education regulatory requirements of the Office for Students, recognising the regulated nature of the conservatoire's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**Other information**

The Board of Directors is responsible for the other information, which comprises the Directors Report, the Strategic Report and the Statement of Corporate Governance and Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Director's Report, the Strategic Report and the Statement of Corporate Governance and Internal Control, which together constitute the Strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

#### **Board of Directors responsibilities**

As explained more fully in their statement set out on page [X], the Board of Directors (who are the Directors of the conservatoire for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the conservatoire'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 conservatoire or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### **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 conservatoire for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the financial statements meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

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

We are required by the Accounts Direction to report to you where the conservatoire 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 conservatoire's expenditure on access and participation activities for the financial year disclosed in Note 7A 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 conservatoire's grant and fee income, as disclosed in note 3 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 Director's, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Board of Directors 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 conservatoire and the Board of Directors for our audit work, for this report, or for the opinions we have formed.



**Clare Partridge (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA  
17 December 2021

LEEDS CONSERVATOIRE  
 FINANCIAL STATEMENTS  
 For the year ended 31 July 2021  
 STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	<b>2021</b> £'000	2020 £'000
<b>Income</b>			
Tuition fees and education contracts	2	<b>14,076</b>	12,136
Other grants and contracts	3	<b>831</b>	748
Other income	4	<b>92</b>	347
Donations and endowments	5	<b>10</b>	7
<b>Total income</b>		<b><u>15,009</u></b>	<b><u>13,238</u></b>
<b>Expenditure</b>			
Staff costs	6	<b>9,588</b>	9,490
Other operating expenses	7	<b>4,994</b>	4,191
Depreciation	9	<b>903</b>	981
Interest and other finance costs	8	<b>315</b>	246
<b>Total expenditure</b>		<b><u>15,800</u></b>	<b><u>14,908</u></b>
<b>Deficit before other gains and losses</b>		<b>(791)</b>	(1,670)
Loss on disposal of assets		-	-
<b>Deficit before tax</b>		<b>(791)</b>	(1,670)
Taxation		-	-
<b>Deficit for the year</b>		<b>(791)</b>	(1,670)
Actuarial gain / (loss) in respect of pension schemes		<b>3,249</b>	(8,366)
<b>Total Comprehensive (Expenditure) / Income for the year</b>		<b><u>2,458</u></b>	<b><u>(10,036)</u></b>
<b>Represented by:</b>			
Endowment comprehensive income / (expenditure) for the year		<b>(1)</b>	-
Unrestricted comprehensive income / (expenditure) for the year		<b>2,459</b>	<b>(10,036)</b>
		<b><u>2,458</u></b>	<b><u>(10,036)</u></b>

All items of income and expenditure relate to continuing operations.

The accompanying notes on pages 34 to 55 form part of these financial statements.

LEEDS CONSERVATOIRE  
 FINANCIAL STATEMENTS  
 For the year ended 31 July 2021  
 STATEMENT OF CHANGES IN RESERVES

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	Income & expenditure reserve - unrestricted £'000	Endowment Reserve - restricted £'000	Total £'000
<b>Balance at 31 July 2019</b>	2,049	5	<b>2,054</b>
Deficit from the income and expenditure account	(1,670)	-	<b>(1,670)</b>
Other comprehensive expenditure	(8,366)	-	<b>(8,366)</b>
<b>Total comprehensive expenditure for the year</b>	<u>(10,036)</u>	<u>-</u>	<u><b>(10,036)</b></u>
<b>Balance at 31 July 2020</b>	(7,987)	5	<b>(7,982)</b>
Deficit from the income and expenditure account	(790)	-	<b>(790)</b>
Other comprehensive income	3,249	-	<b>3,249</b>
Other movement on reserve	-	(1)	<b>(1)</b>
<b>Total comprehensive expenditure for the year</b>	<u>2,459</u>	<u>(1)</u>	<u><b>2,458</b></u>
<b>Balance at 31 July 2021</b>	<u><u>(5,528)</u></u>	<u><u>4</u></u>	<u><u><b>(5,524)</b></u></u>
<b>Deficit for the year comprises:</b>			
Deficit from the income and expenditure account	(790)		
Income from the endowment reserve	-		
<b>Deficit for the year</b>	<u><u>(790)</u></u>		

The accompanying notes on pages 34 to 55 form part of these financial statements.

LEEDS CONSERVATOIRE  
 FINANCIAL STATEMENTS  
 For the year ended 31 July 2021  
 BALANCE SHEET AS AT 31 JULY 2021

	Notes	2021 £'000	2020 £'000
<b>Non-current assets</b>			
Tangible Fixed assets	9	<u>11,843</u>	<u>12,621</u>
		<b>11,843</b>	<b>12,621</b>
<b>Current Assets</b>			
Stock		4	4
Trade and other receivables	10	3,547	905
Cash at bank and in hand		<u>16</u>	<u>8</u>
<b>Total current assets</b>		<b>3,567</b>	<b>917</b>
<b>Less: Creditors - amounts falling due within one year</b>	11	<u>(2,112)</u>	<u>(1,377)</u>
<b>Net current assets / (liabilities)</b>		<b>1,455</b>	<b>(460)</b>
<b>Total assets less current liabilities</b>		<u><b>13,298</b></u>	<u><b>12,161</b></u>
Less: Creditors – amounts falling due after more than one year	12, 13	(1,700)	(1,876)
<b>Provisions</b>			
Pension provisions	14, 16	<u>(17,122)</u>	<u>(18,267)</u>
<b>TOTAL NET (LIABILITIES) / ASSETS</b>		<u><b>(5,524)</b></u>	<u><b>(7,982)</b></u>
<b>Restricted reserves</b>			
Income and Expenditure Reserve - endowment reserve	15	4	5
<b>Unrestricted reserves</b>			
Income and expenditure reserve - unrestricted		<u>(5,528)</u>	<u>(7,987)</u>
<b>TOTAL RESERVES</b>		<u><b>(5,524)</b></u>	<u><b>(7,982)</b></u>

The accompanying notes on pages 34 to 55 form part of these financial statements.

The financial statements on pages 30 to 55 were approved and authorised for issue by the Board on 30 November 2021 and were signed on its behalf on that date by:



**Jenny Hoy**  
 Chair of the Board of Directors  
 Leeds Conservatoire



**Professor Joe Wilson**  
 Principal (Accountable Officer)  
 Leeds Conservatoire

LEEDS CONSERVATOIRE  
 FINANCIAL STATEMENTS  
 For the year ended 31 July 2021  
 CASHFLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2021

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	<b>2021</b>	2020
	<b>£'000</b>	£'000
<b>Cash flow from operating activities</b>		
Deficit for the year	<b>(790)</b>	(1,670)
<b>Adjustment for non-cash items</b>		
Depreciation of fixed assets	<b>903</b>	981
(Increase)/decrease in stock	-	1
(Increase)/decrease in debtors	<b>(2,642)</b>	(304)
Increase/ (decrease) in creditors	<b>731</b>	3
Increase/ (decrease) in provision for enhanced pensions	<b>(18)</b>	(17)
Pension service cost in excess of employer contributions	<b>2,122</b>	1,540
Interest and other finance costs	<b>(67)</b>	(74)
Increase / (decrease) in endowment reserve	<b>(1)</b>	-
Loss on disposal of tangible fixed assets	-	-
<b>Net cash inflow from operating activities</b>	<b>238</b>	460
<b>Cash flows from investing activities</b>		
Payments made to acquire tangible fixed assets	<b>(125)</b>	(368)
	<b>(125)</b>	(368)
<b>Cash flows from financing activities</b>		
Interest element of finance lease repayments	<b>67</b>	74
Capital element of finance lease payments	<b>(172)</b>	(167)
	<b>(105)</b>	(93)
<b>Increase/(decrease) in cash and cash equivalents in the year</b>	<b>8</b>	(1)
Cash brought forward at beginning of year	<b>8</b>	9
<b>Cash carried forward at end of year</b>	<b>16</b>	8

## 1. ACCOUNTING POLICIES

### Statement of accounting policies

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

### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2019 to 2020 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

### Going concern

The activities of the conservatoire together with the factors likely to affect its future development and performance are set out in the Directors' Report and Strategic Report. The financial position of the conservatoire, its cash flow, liquidity and borrowings are described in the financial statements and accompanying notes.

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 24 months from the date of approval of these financial statements.

After reviewing these forecasts, the directors are of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of Covid-19, the conservatoire will have sufficient funds, through funding from its immediate parent (Luminate Education Group) to meet its 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 conservatoire is the wholly owned subsidiary of the Corporation of Luminate Education Group. As part of the Luminate Education Group, the conservatoire participates in a group treasury arrangement whereby the working capital fluctuations of the conservatoire are supported by the group treasury function. The conservatoire has no other form of borrowing open to it. Thus, for the conservatoire to continue to trade as a going concern the group treasury function needs to provide assurance it can continue to support the working capital requirements of the conservatoire going forward.

Luminate Education Group continues to support the conservatoire on an ongoing basis. The entities have a shared purpose, vision and aligned strategic objectives. Luminate Education Group sees the conservatoire as an important part of the group through its delivery of HE courses and integral to the ongoing development of group brand. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

## 1. ACCOUNTING POLICIES (continued)

### Going concern (continued)

Due to the seasonal profile of funding within the further and higher education colleges sectors, the group has previously made use of an overdraft to cover working capital requirements for the period of January to May, when the main Higher Education (HE) loan funding is received. The cash balances of the group have improved recently as a result of strong financial performance and the refinancing of the previous arrangements that were in place for long term debt and working capital. The refinancing activity took place in early 2021 and comprises of an amortising £32m long term long and a short-term bridging loan of £6.5m associated with the disposal of the Horsforth site. These refinancing arrangements were analysed in detail with Santander with regards to the associated covenants and tested against the group's forecasted financial performance.

The risk relating to the timing of the sale of the Horsforth campus remains, but is much reduced following the formal approval of planning permission for the site and the completion of the sale is now expected to occur prior to the end of 2021.

Following the completion of the sale of the former Horsforth campus on 3 November 2021 the financial position of the group was further strengthened as a result of the repayment of the bridging loan and the increase in cash reserves from the net sales proceeds retained.

The Group has committed to purchasing a site at Mabgate for £9.6m in December 2021. This site has been initially leased under a contract that stipulates the purchase at this date. The group has secured a revolving credit facility from Santander to fund the majority of the cost with the balance funded from cash resources.

Based on these indications the group believes that it remains appropriate to prepare the financial statements on a going concern basis.

### Recognition of income

Income is recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement is adjusted for and reflected in the level of income recognised. As an independent HEI, the conservatoire receives funding directly from the Office for Students and the Student Loans Company.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors. Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

### Grant funding including capital grants

Grant funding including funding council block grant and grants from non-government sources are recognised as income when the conservatoire is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

## 1. ACCOUNTING POLICIES (CONTINUED)

### Donations and endowments

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

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

### Post-retirement benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the conservatoire in such a way that the pension cost is a substantially level percentage of current and future pensionable pay. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 16 the TPS is a multi-employer scheme and the conservatoire is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The WYPF is a funded scheme and the assets are held separately from those of the conservatoire in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities.

The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on curtailments and settlements. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have been vested. If the benefits have not been vested immediately, the costs are recognised over the period until vesting occurs.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

## 1. ACCOUNTING POLICIES (continued)

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

### Enhanced Pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by a conservatoire annually. An estimate of the expected future costs of any enhancement to the on-going pension of a former member of staff is charged in full to the conservatoire'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.

### Critical accounting estimates and assumptions

The conservatoire has updated its approach to setting RPI and CPI inflation in light of the RPI reform proposals published on the 4th September 2019 by the UK Chancellor and UK Statistics Authority. The conservatoire has proposed that RPI inflation continues to be set in line with market break even expectations less an inflation risk premium of 0.2%, consistent with the prior year.

For CPI, the Fund Actuary has proposed a long-term gap between RPI and CPI of 60 basis points, compared to 100 basis points at the prior year end. Based on the sensitivity information provided by the actuary, we expect the impact of this change in approach to be a £3.5m increase in the DBO as the CPI assumption is now 0.4% higher than it would have been under the previous methodology.

### Non-current assets - Tangible fixed assets

#### Land and buildings

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

Building improvements made are included in the balance sheet at cost. The conservatoire has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 5 and 30 years. Leasehold land and buildings are depreciated on a straight-line basis over their expected economic life to the conservatoire of 60 years or, if shorter, the period of the lease. Building improvements made are included in the balance sheet at cost. The conservatoire has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 5 and 30 years. Leasehold land and buildings are depreciated on a straight-line basis over their expected economic life to the conservatoire of 60 years or, if shorter, the period of the lease. Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

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

## 1. ACCOUNTING POLICIES (continued)

### Land and buildings (continued)

*Subsequent expenditure on existing fixed assets:*

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

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

### Equipment

Individual items of equipment costing less than £2,000 are written off to the Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost.

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

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

### Leased assets

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

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

### Stock

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

### Cash and cash equivalents

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

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

## 1. ACCOUNTING POLICIES (continued)

### Financial liabilities and equity

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

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

### Foreign currency translation

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

### Taxation

The conservatoire is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and as such is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs. It is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and accordingly is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

In the opinion of the Board, no tax charge has arisen in either year. The conservatoire receives no similar exemption in respect of value added tax. For this reason, the conservatoire is generally unable to recover input VAT it suffers on goods and services purchased. Capital costs and non-pay expenditure are therefore shown inclusive of VAT with any partial recovery included in other operating income.

### Provisions, contingent liabilities and assets

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

A contingent liability arises from a past event that gives the conservatoire a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the conservatoire. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

## 1. ACCOUNTING POLICIES (continued)

### Provisions, contingent liabilities and assets (continued)

A contingent asset arises where an event has taken place that gives the conservatoire a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the conservatoire.

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

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

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

#### *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 16, will impact the carrying amount of the pension liability.

Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

### Reserves

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

## 2. TUITION FEES AND EDUCATION CONTRACTS

	2021 £'000	2020 £'000
Home and EU students	13,097	11,228
International students	979	908
<b>Total</b>	<b>14,076</b>	<b>12,136</b>

## 3. OTHER GRANTS AND CONTRACT

	2021 £'000	2020 £'000
Provision of education	831	748
<b>Total</b>	<b>831</b>	<b>748</b>

## 3A. GRANT AND FEE INCOME

	2021 £'000	2020 £'000
Grant income from the Office for Students	718	603
Fee income for taught awards (exclusive of VAT)	12,354	10,495
<b>Total</b>	<b>13,072</b>	<b>11,098</b>

Leeds Conservatoire is an Office for Students (OFS) registered conservatoire that received grant and fee income for courses at Level 4 and above in 2020/21 and 2019/20. During 2020/21, Leeds Conservatoire received grant income of £718k (2019/20: £603k) from the Office for Students.

In 2020/21 Leeds Conservatoire received fee income for taught awards of £12,354k (2019/20: £10,495k). There was no income for non-qualifying courses, no grant income from other bodies in year and Leeds Conservatoire do not currently offer research award courses. The income figures in the above table are already included in the overall income figures in the financial statements, see note 2 and 3.

#### 4. OTHER INCOME

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Catering and residences	<b>7</b>	3
Other income generating activities	<b>30</b>	230
Miscellaneous income	<b>55</b>	114
	<hr/>	<hr/>
<b>Total</b>	<b>92</b>	347
	<hr/> <hr/>	<hr/> <hr/>

#### 5. DONATIONS AND ENDOWMENTS

	<b>2021</b>	2020
	<b>£'000</b>	£'000
New endowments	-	-
Unrestricted donations	<b>10</b>	7
	<hr/>	<hr/>
<b>Total</b>	<b>10</b>	7
	<hr/> <hr/>	<hr/> <hr/>

## 6. STAFF COSTS

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

	<b>2021</b>	2020
	<b>Number</b>	Number
Teaching	<b>60</b>	50
Teaching support	<b>9</b>	10
Student support	<b>28</b>	25
Management, administration, marketing & IT	<b>36</b>	28
Estates	-	23
Income generation	<b>14</b>	15
	<hr/>	<hr/>
<b>Total Staff</b>	<b>147</b>	151
	<hr/>	<hr/>

	<b>2021</b>	2020
	<b>£000</b>	£000
Wages and Salaries	<b>6,348</b>	6,653
Social Security Costs	<b>526</b>	554
Other Pension Costs ( <i>see notes 14 and 16</i> )	<b>2,658</b>	2,119
Payroll sub-total	<b>9,532</b>	9,326
Contracted out staffing services	<b>56</b>	68
Restructuring costs – redundancy	-	96
	<hr/>	<hr/>
<b>Total</b>	<b>9,588</b>	9,490
	<hr/>	<hr/>

Wages and salaries have increased by £98k despite the average number of staff dropping by 4 full time equivalents. The introduction of a shared service from Luminate Education Group contributed to the overall reduction in staff numbers. Whereby an increase in higher paid teaching staff numbers has contributed to the overall cost increase.

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the conservatoire and are represented by the Executive Leadership Team which comprises the Principal (and Accountable Officer), Interim Vice Principal, Director of Quality and Student Experience and Director of Marketing and Student Recruitment as detailed on page 2.

In 2020, the Executive Leadership Team comprised of the Principal & Managing Director, Chief Operating Officer and the Interim Vice Principal.

## 6. STAFF COSTS (continued)

### Key management personnel (continued)

The emoluments payable to the key management personnel are detailed below.

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Salary	<b>261</b>	284
Pension contributions paid by the conservatoire	<b>40</b>	39
Benefits in Kind – personal pension contributions sacrifice	-	-
Gross emoluments	<b>301</b>	323
Less: unpaid benefits	-	-
<b>Total emoluments paid</b>	<b>301</b>	323

### Highest paid member of staff

The emoluments payable to the Principal (and Accountable Officer) are detailed below. In 2021, Professor Joe Wilson held this role. In 2020, Gerry Godley held this role as Principal & Managing Director. Both of them were the highest paid member of staff in their respective years.

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Salary	<b>89</b>	125
Pension contributions paid by the Conservatoire	<b>14</b>	17
Benefits in Kind – personal pension contributions sacrifice	-	-
Gross emoluments	<b>103</b>	142
Less: unpaid benefits	-	-
<b>Total emoluments paid</b>	<b>103</b>	142

Mr Wilson's salary represents 2.4 (2020 - 3.4 for Mr Godley) times the median contractual salary paid out and his total remuneration 2.4 (2020 - 3.8 for Mr Godley) times the median total remuneration paid out to staff during the year.

The members of the Board other than the Principal, the staff member and the SU President did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. The total expenses paid to or on behalf of the Board in the year was £0k (2020 - £1k).

During the year no employees earned over £100k. In 2020, only one employee earned over £100k, Gerry Godley the Principal & Managing Director.

## 7. OTHER OPERATING EXPENSES

	2021 £'000	2020 £'000
Teaching Costs	927	743
Non-teaching Costs	3,043	2,143
Premises Costs	<u>1,024</u>	<u>1,305</u>
<b>Total</b>	<b><u>4,994</u></b>	<b><u>4,191</u></b>
	2021 £'000	2020 £'000
<b>Non-teaching costs include:</b>		
Auditors remuneration:		
- Financial Statements audit	42	18
- Internal audit	16	5
Hire of other assets – operating leases	<u>346</u>	<u>357</u>

## 7A. ACCESS AND PARTICIPATION SPENDING

	2021 £'000	2020 £'000
Financial support to students	604	457
Disability support	13	14
Research and evaluation	<u>4</u>	<u>14</u>
<b>Total</b>	<b><u>621</u></b>	<b><u>485</u></b>

Leeds Conservatoire is an Office for Students (OFS) registered conservatoire that received grant and fee income for courses at Level 4 and above in 2020/21 and 2019/20.

Leeds Conservatoire received fee income for taught awards of £12,354k (2019/20 £10,495k).

There was no income for non-qualifying courses, no grant income from other bodies in year and Leeds Conservatoire do not currently offer research award courses.

The income figures in the above table are already included in the overall income figures in the financial statements, see note 2 and 3.

<https://www.leedsconservatoire.ac.uk/about-us/about-leeds-conservatoire/corporate/policies/>

## 8. INTEREST AND OTHER FINANCE COSTS

	2021 £'000	2020 £'000
On finance leases	67	74
Interest on pension liabilities ( <i>note 16</i> )	<u>248</u>	<u>172</u>
<b>Total</b>	<b><u>315</u></b>	<b><u>246</u></b>

## 9. TANGIBLE FIXED ASSETS

	Land & Buildings Leasehold £'000	Equipment £'000	Assets in course of Construction £'000	Total £'000
<b>Deemed Cost / Cost</b>				
Balance brought forward 1 August 2020	15,193	3,841	312	19,346
Additions	-	-	125	125
Transfer	37	362	(399)	-
<b>At 31 July 2021</b>	<b><u>15,230</u></b>	<b><u>4,203</u></b>	<b><u>38</u></b>	<b><u>19,471</u></b>
<b>Accumulated depreciation</b>				
Balance brought forward 1 August 2020	4,554	2,171	-	6,725
Charge for the year	591	312	-	903
<b>At 31 July 2021</b>	<b><u>5,145</u></b>	<b><u>2,483</u></b>	<b><u>-</u></b>	<b><u>7,628</u></b>
<b>Net book value at 31 July 2021</b>	<b><u>10,085</u></b>	<b><u>1,720</u></b>	<b><u>38</u></b>	<b><u>11,843</u></b>
Net book value at 31 July 2020	<u>10,639</u>	<u>1,670</u>	<u>312</u>	<u>12,621</u>

Land and buildings were valued at £10.6 million as at July 2014 at depreciated replacement cost by DVS, a firm of independent chartered surveyors, when the net book value at that date was £10.7 million.

The net book value of tangible fixed assets includes an amount of £3,105k in respect of assets held under finance leases. The depreciation charge on these assets for the year was £80K.

## 10. TRADE AND OTHER RECEIVABLES

	<b>2021</b>	2020
	<b>£'000</b>	£'000
<b>Amounts falling due within one year</b>		
Trade receivables	525	442
Amounts owed by parent undertaking – Leeds City College	<b>2,836</b>	224
Prepayments and accrued income	<b>186</b>	239
	<hr/>	<hr/>
<b>Total</b>	<b>3,547</b>	905
	<hr/> <hr/>	<hr/> <hr/>

## 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Bank loans and overdrafts	-	3
Obligations under finance leases	<b>176</b>	172
Payments received in advance	<b>70</b>	40
Trade creditors	<b>678</b>	208
Other creditors	<b>390</b>	227
Other taxation and social security	<b>95</b>	137
Accruals and deferred income	<b>703</b>	590
	<hr/>	<hr/>
<b>Total</b>	<b>2,112</b>	1,377
	<hr/> <hr/>	<hr/> <hr/>

## 12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Obligations under finance leases	<b>1,700</b>	1,876
	<hr/>	<hr/>
<b>Total</b>	<b>1,700</b>	1,876
	<hr/> <hr/>	<hr/> <hr/>

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

### 13. MATURITY OF DEBT

#### Finance leases

The net finance lease obligations to which the conservatoire is committed are:

	<b>2021</b>	2020
	<b>£'000</b>	£'000
In one year or less	<b>176</b>	172
Between two and five years	<b>759</b>	738
In five years or more	<b>941</b>	1,138
<b>Total</b>	<b>1,876</b>	2,048

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

### 14. PROVISIONS FOR LIABILITIES AND CHARGES

	<b>Defined benefit obligations</b>	<b>Enhanced pensions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance brought forward at 1 August 2020	18,119	148	18,267
Expenditure in the year	(1,127)	(18)	(1,145)
Additions in the year	-	-	-
<b>At 31<sup>st</sup> July 2021</b>	<b>16,992</b>	<b>130</b>	<b>17,122</b>

Defined benefit obligations relate to the liabilities under the conservatoire's membership of the Local Government Pension Scheme. Further details are given in Note 16.

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

The principal assumptions for this calculation are:

	<b>2021</b>	2020
	<b>%</b>	%
Interest rate	<b>1.6</b>	1.3
Inflation rate	<b>2.6</b>	2.2

## 15. ENDOWMENT RESERVES

	2021 £'000	2020 £'000
<b>Expendable endowments</b>		
Endowment reserves at 1 August 2020	5	5
New endowment income	-	-
Expenditure	<u>(1)</u>	<u>-</u>
<b>At 31 July 2021</b>	<u><u>4</u></u>	<u><u>5</u></u>
<b>Balance represented by:</b>		
Accumulated income	<u>4</u>	<u>5</u>
<b>At 31 July 2021</b>	<u><u>4</u></u>	<u><u>5</u></u>
<b>Analysis by type of purpose</b>		
Provision of instruments to students	<u>4</u>	<u>5</u>
<b>Analysis by asset</b>		
Current (liabilities)/assets	<u>4</u>	<u>5</u>

## 16. DEFINED BENEFIT OBLIGATIONS

The conservatoire's employees belong to a principal post-employment benefit plan: The West Yorkshire Pension Fund (WYPF), a Local Government Pension Scheme (LGPS) for non-teaching staff. This is a multi-employer defined-benefit plan.

### Total pension cost for the year

	2021 £'000	2020 £'000
West Yorkshire Pension Fund:		
Contributions paid	768	734
Past service cost	-	-
FRS 102 charge	<u>1,874</u>	<u>1,368</u>
Charge to the Income and Expenditure account	<u>2,642</u>	2,102
Enhanced pension charge to Statement of Comprehensive Income	-	-
People's Pension	<u>16</u>	<u>17</u>
<b>Total pension cost for year within staff costs</b>	<u><u>2,658</u></u>	<u><u>2,119</u></u>

## 16. DEFINED BENEFIT OBLIGATIONS (continued)

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

### West Yorkshire Pension Fund (WYPF)

LC operates an employee pension benefits scheme through WYPF, which is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the period ended 31 July 2021 was £1,112K of which employer's contributions totalled £768K and employees' contributions totalled £344K. The agreed contribution rate for 2021/22 is 15.8% for employers and range from 5.5% to 12.5% for employees, depending on salary.

### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 by a qualified independent actuary.

	At 31 July 2021		At 31 July 2020	
	WYPF funded benefits	WYPF unfunded benefits	WYPF funded benefits	WYPF unfunded benefits
Expected rate of salary increases	3.75%	n/a	3.55%	n/a
Future pension increases	2.50%	2.50%	2.30%	2.30%
Discount rate for scheme liabilities	1.70%	1.70%	1.40%	1.40%
Inflation assumption (CPI)	2.50%	2.50%	2.30%	2.30%

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

	At 31 July 2021	At 31 July 2020
<i>Retiring today</i>		
Males	21.9 years	21.8 years
Females	24.7 years	24.6 years
<i>Retiring in 20 years</i>		
Males	22.6 years	22.5 years
Females	25.8 years	25.7 years

## 16. DEFINED BENEFIT OBLIGATIONS (continued)

### West Yorkshire Pension Fund (continued) Principal Actuarial Assumptions (continued)

The Conservatoire's share of the assets in the fund at the balance sheet and the expected rates of return were:

	Long-term rate of return expected at 31 July 2021	Fair value at 31 <sup>st</sup> July 2021	Long-term rate of return expected at 31 July 2020	Fair value at 31 <sup>st</sup> July 2020
	%	£'000	%	£'000
Equities	80.1%	14,653	77.7%	11,383
Government Bonds	8.0%	1,464	10.0%	1,465
Corporate Bonds	4.4%	805	5.0%	733
Property	3.7%	677	4.3%	630
Cash	2.3%	421	1.6%	234
Other	1.5%	274	1.4%	205
<b>Total fair value of fund assets</b>		<b>18,294</b>		<b>14,650</b>

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

	2021	2020
	£'000	£'000
Fair value of fund assets	18,294	14,650
Present value of fund liabilities - Funded	(35,280)	(32,762)
Present value of fund liabilities - Unfunded	(6)	(7)
<b>Net pensions liability (note 14)</b>	<b>(16,992)</b>	<b>(18,119)</b>

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

	2021	2020
	£'000	£'000
<b>Amounts included in staff costs</b>		
Current service cost	2,632	2,105
Past service cost	-	-
Curtailment cost	14	-
<b>Total</b>	<b>2,646</b>	<b>2,105</b>

## 16. DEFINED BENEFIT OBLIGATIONS (continued)

### West Yorkshire Pension Fund (continued)

#### Amounts included in Interest and other finance costs

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Interest on pension liabilities	<u>14</u>	<u>172</u>
Net interest cost	<u>14</u>	<u>172</u>

#### Amount recognised in Other Comprehensive Income

Return / (deficit) on pension fund assets	<b>2,594</b>	(1,361)
Experience gains / (losses) on scheme liabilities	<u>655</u>	<u>(7,005)</u>
	<b>3,249</b>	<b>(8,366)</b>

#### Movement in net defined benefit liability during the year

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Net defined benefit liability in the fund at 1 August	<b>(18,119)</b>	(8,213)
Movement in period		
- Employer service cost (net of employee contributions)	<b>(2,632)</b>	(2,105)
- Employer contributions	<b>772</b>	737
- Past service cost	-	-
- Net interest/return on assets	<b>(14)</b>	(172)
- Net benefits paid out	<b>(248)</b>	-
- Re-measurement gains on assets	<b>2,594</b>	(1,361)
- Actuarial gain / (loss)	<u>655</u>	<u>(7,005)</u>
<b>Net defined benefit liability in the fund at 31 July</b>	<b>(16,992)</b>	<b>(18,119)</b>

## 16. DEFINED BENEFIT OBLIGATIONS (continued)

### West Yorkshire Pension Fund (continued)

#### Asset and Liability Reconciliation

##### Changes in the present value of defined benefit obligations

	2021 £'000	2020 £'000
<b>Defined benefit obligations at start of year</b>	<b>32,769</b>	23,037
Current service cost	2,632	2,105
Interest cost	459	508
Employee Contributions	340	365
Actuarial (gain) / loss	(655)	7,005
Benefits Paid	(273)	(251)
Past service cost	-	-
Curtailments and settlements	14	-
	<u>35,286</u>	<u>32,769</u>

##### Defined benefit obligations at end of year

##### Change in fair value of Fund Assets

<b>Fair value of fund assets at start of year</b>	<b>14,650</b>	14,824
Expected return on assets	211	336
Actuarial gain/(loss)	2,594	(1,361)
Employer Contributions	772	737
Employee Contributions	340	365
Benefits Paid	(273)	(251)
	<u>18,294</u>	<u>14,650</u>

##### Fair value of fund assets at end of year

The Conservatoire continued to set the CPI inflation assumption in line with the market break even expectation for RPI less deductions for an inflation risk premium and an RPI-CPI wedge. Overall, the gap between break even RPI and the CPI assumption has widened by approximately 0.1% compared to the prior year end which reflects greater certainty on the future relationship between RPI and CPI following the government's November 2020 response to the consultation on RPI reforms. The estimated impact is a decrease of approximately £0.8m in the defined benefit obligation.

## 17. POST-BALANCE SHEET EVENTS

There are no significant post balance sheets events this year.

## 18. CAPITAL COMMITMENTS

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Commitments contracted for as at 31 July	<u><b>134</b></u>	<u>268</u>

## 19. FINANCIAL COMMITMENTS

At 31 July 2021 the conservatoire had total commitments under non-cancellable operating leases as follows:

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Minimum lease payments due within one year	<b>210</b>	192
Total minimum lease payments due between two and five years	<b>1,274</b>	1,365
Total minimum lease payments due over five years.	<u><b>1,007</b></u>	<u>1,073</u>
<b>Total</b>	<u><b>2,491</b></u>	<u>2,630</u>

## 20. RELATED PARTY TRANSACTIONS

Owing to the nature of Leeds Conservatoire's operations and the composition of the board of governors being drawn from local public and private sector organisations it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the conservatoire's financial regulations and normal procurement procedures. Transactions with the educational funding bodies are detailed in notes 3.

Mr Benjamin Saunders is the Director of Music at Leeds Cathedral. During the year, Leeds Conservatoire paid £8k to the Cathedral for placement costs.

Claire Marsh has paid employment at University of Leeds, during the year Leeds Conservatoire received £31k for activity plans and paid £8k for the support and delivery of the student placement programme.

Carolyn Lord is a member of the Leeds Cathedral Choir School. During the year Leeds Conservatoire paid £8k for the support and delivery of student placements.

Shaid Mahmood is a Chief Officer at Leeds City Council. During the year, Leeds Conservatoire paid £57k for rates and received £34k for bursary funds.

No board member has received any remuneration or waived payments from Leeds Conservatoire during the year other than the Principal whose remuneration is disclosed in Note 6.

Prof Joe Wilson, Principal Leeds Conservatoire, is a Member of the Board of Yorkshire Young Musicians. During the year Leeds Conservatoire received £13k for Room Hire.