

**LEEDS TRINITY UNIVERSITY**

**Annual Report and Financial Statements**

**For the year ended**

**31 July 2017**

**Registered Company Number  
6305220**

**Deloitte LLP  
Leeds**

ANNUAL REPORT AND FINANCIAL STATEMENTS  
For the year ended 31 July 2017

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DIRECTORS AND ADVISORS

**Directors and Governing Body Members serving during the year and up to the date of approval of the annual report and financial statements were:**

Ms Justine Andrew (Senior Independent Governor)	Ms Stephanie Little (retired 31 July 2017)
Mr Mark Brockbank (appointed 1 August 2017)	Ms Carolyn Lord
Mr Ian Burrell (Chair, also Chair of Governance and Nominations Committee)	Mr Richard Marchant (Chair of Audit Committee from 1 August 2017)
Ms Roohi Collins (appointed 1 August 2017)	Mr Andrew Micklethwaite (Chair of Audit Committee to 31 July 2017 and Chair of Finance and Resources Committee from 1 August 2017)
Dr Colin Forrest (retired 31 July 2017)	Mr James Poskitt
Mr Andrew Gilliland	Ms Elizabeth Richards
Mr Aidan Grills	Ms Susan Rix
Mr David Haslam (appointed 23 May 2017)	Mr Paul Rogerson CBE DL (Vice Chair, also Chair of Remuneration Committee from 1 August 2017)
Prof Margaret House (Vice-Chancellor)	Rt Reverend Marcus Stock
Mr Charles Isherwood (appointed 1 August 2017)	Mr John Sykes (Chair of Remuneration Committee, retired 31 July 2017)
Prof Vivien Jones	Mr John Taylor
Mr James Kennedy (resigned 17 March 2017)	
Mr Mark Lister (Chair of Finance and Resources Committee, retired 31 July 2017)	

**Clerk to the Board and Company Secretary**

Ms Gillian Winward

**Chancellor**

Ms Gabby Logan

**Pro Chancellors**

Mr Ed Anderson

Mr John Battle

**Auditor**

Deloitte LLP  
1 City Square  
Leeds  
LS1 2AL

**Solicitors**

Eversheds LLP  
Bridgewater Place  
Water lane  
Leeds  
LS11 5DR

**Registered Office**

Leeds Trinity University  
Brownberrie Lane  
Leeds  
LS18 5HD  
ENGLAND

**Company and Charity Numbers**

Registered Company Number      6305220  
Registered Charity Number        1120102

## INTRODUCTION, STRUCTURE AND NATURE OF THE UNIVERSITY

### **Introduction**

The Governors present their annual report, including the Strategic Report and the Directors' Report, and the audited financial statements for the year ended 31 July 2017. The financial statements comprise the results for the year for the University. It has no subsidiaries.

The Strategic Report has been prepared solely to provide additional information to funders, financial supporters and other stakeholders to assess the University's strategies and the potential for those strategies to succeed, and should not be used for any other purpose. The Strategic Report contains forward looking statements. These statements are based on the information available to the Governors up to the time of their approval of this report.

### **Structure of the University**

The University is a company limited by guarantee and was incorporated in 2007 under the Companies Act. As a Catholic foundation established in 1966, the institution operated under a Trust Deed until its incorporation.

The University is also a registered charity under the Charities Act 2011 and is regulated by the Charity Commission.

Each Governor is both a director of the Company and also a trustee of the Charity.

The names of the persons who were Governors during the year are given in the directors and advisors section of the annual report.

The Governors deem the principal activity of the University, in both the current and prior year, to be the advancement of education.

### **Nature of the University**

Leeds Trinity University ("Leeds Trinity" or the "University") is an autonomous, teaching-led and research-informed higher education institution, inspired by Catholic values and based in Horsforth, Leeds.

The origins of Leeds Trinity can be traced back to two Catholic teacher training colleges, Trinity College and All Saints College, founded by the Passionist Sisters and the Catholic Education Service in 1966. Their mission was to provide the best educational opportunities possible for the children of the poor and to actively support social justice – aspirations that Leeds Trinity still maintains.

Over the last 50 years, the institution has evolved and developed, culminating in the award of university title in December 2012, but its Catholic faith foundation remains central to its activities and is enshrined within its legal objects which 'shall be the establishment, conduct and development of a Roman Catholic institution for the advancement of education for the benefit of the public'.

Leeds Trinity is relatively small compared with other higher education institutions in the region and is located on a single campus site, giving it a strong community identity and spirit. This makes it attractive to students who wish to study in a more personal and supportive environment. The majority of the academic portfolio is professionally focussed and vocationally orientated with all courses providing professional placements. As a result Leeds Trinity has a history of high levels of employability for its graduates.

## CHARITABLE PURPOSE AND PUBLIC BENEFIT

### **Charitable Purpose and Public Benefit**

The University's charitable purpose is 'the advancement of education for the benefit of the public' as set out in its Articles of Association. It does this through the teaching of a diverse curriculum and by educating a broad range of students. Its students and potential students are the principal beneficiaries.

The Board of Governors has complied with its duty to have due regard to the Charity Commission's public benefit guidance when exercising any powers or duties to which the guidance is relevant. A principle of public benefit is that benefits must be balanced against any detriment or harm. The Governors consider that none of the University's activities causes detriment or harm.

The University has a successful history and strong track record in the recruitment of students from under-represented groups. The Catholic social mission of the University is played out in our desire to empower individuals, regardless of their background or route into higher education, to achieve their true potential and reach the highest standards possible. It is important to Leeds Trinity that access to education is offered in an open and affordable way to all who may benefit.

Widening access and improving participation to higher education is actively promoted and this is reflected in the student profile, with 97% of students coming from state schools and 22% from low participation neighbourhoods (POLAR 2). All of these figures consistently exceed the relevant benchmarks from the Higher Education Statistics Agency (HESA).

### Outreach

Leeds Trinity has an excellent track record in terms of the extent and success of its outreach work, with a dedicated Student Recruitment and Outreach team supporting teachers, advisors and young people by raising aspirations regarding progression to higher education. Notable investment, activities and interventions include:

- Extensive reach with schools and colleges in West Yorkshire, with relationships with over 190 institutions, together with a highly-targeted approach to prioritise schools with high ratios of under-represented pupils.
- An intensive and structured school partnership programme, including formalised partnership agreements with over 40 schools and colleges.
- A comprehensive menu of activity including pupil talks and workshops on topics such as "why go to university", "making the most of your personal statement", "student finance", and "preparing for your interview", with over 300 events held every year.
- A structured programme of HE "taster days", academic focus days and a residential summer school which offers under-represented students 20 additional UCAS points if they graduate.
- Effective use of current students acting as Student Ambassadors and mentors to under-represented pupils in schools and colleges.
- Running of the Leeds Children's University in collaboration with the Children's University Trust, offering exciting and innovative learning activities and experiences for 7 to 14 year olds outside normal school hours. Research shows that engagement with the Children's University has a measurable, positive impact in a range of key areas including attendance, attitudes and attainment.
- Care Leavers are offered an enhanced package of advice and guidance in both the pre and post application process and once they arrive. This includes a single point of contact. Adult learners are also offered a dedicated package of advice and guidance, as well as tailored financial advice, a dedicated 'return to learn' programme prior to induction and an Adult Learners officer who runs events throughout the year.

## CHARITABLE PURPOSE AND PUBLIC BENEFIT

Leeds Trinity is committed to the Go Higher West Yorkshire (formerly HEART) partnership established by twelve providers of higher education in West Yorkshire. It is also committed to the National Collaborative Outreach Programme (NCOP) secured by Go Higher West Yorkshire which operates in the first instance to December 2018. Go Higher West Yorkshire's mission is to work in partnership to act as a single point of contact for information on its HE provider partners, improving access to, and achievement in, Higher Education to enhance individual and economic development.

Go Higher West Yorkshire's activities are directed through two operational groups. The Business Engagement Planning Group has a remit around working in partnership to foster an environment which supports partners in meeting the skills needs of our region, including the development of alternative progression routes into HE and qualifications (such as higher and degree apprenticeships) which aim to appeal to a wide range of students. The Widening Participation Group has a focus on working with specific target groups, which include looked-after young people and care leavers, Y7-8 pupils, mature and part time learners and young carers.

### Student Success

Leeds Trinity is committed to enabling all students to reach their full potential and succeed. Our model for widening participation is based upon the student's decision line through from thinking, applying, starting, progressing and succeeding. Notable investment, activities and interventions in place to support student success include:

- Student Support Centre – This brings together a range of support services with a central Student Information Desk. Students benefit from a Student Health Centre, Dyslexia and Disability Support Services, Counselling Service and Student Advisors.
- Learning Support – The dedicated Learning Hub offers personalised, one-to-one academic skills support to all students, including help with time management, essay writing, revision strategies, critical thinking, note-taking, and the research process. The Student Achievement Advisors who work in the Learning Hub work closely with academic departments to support and assist students who have been identified by progress and module tutors as being in danger of withdrawing or failing. Students are contacted and offered regular tutorial appointments. The Learning Hub was commended by the QAA as an area of good practice in its most recent review.
- Development Tutors – When students enrol on their course, a member of the lecturing staff will become their development tutor, offering students personalised academic support. Students have the same development tutor throughout the whole of their programme of study.
- Resident Mentors – Experienced and trained students live in all of our halls of residence on campus as Resident Mentors. They are available to support students as they make the transition to student life, they also play a crucial role in maintaining the community feel that the University is renowned for.
- Peer Learning Mentors (PLMs) – PLMs are level 5 and 6 students on track to achieve a first or upper second class degree in each academic department and offer students advice on all aspects of academic work through one-to-one or group sessions.

The latest outcomes for student success across achievement, satisfaction and employability are covered in the Highlights and Achievements in the Year section of the Strategic Report.

### Financial Support

The University's access agreement, approved by the Office for Fair Access (OFFA), covers its outreach and student success activities and also contains a range of financial support arrangements to help ensure that the opportunity to benefit from higher education is not restricted by the ability to afford fees or living costs. These arrangements are intended to complement the government's provision of loans and maintenance grants and are targeted at those identified as being most in need.

## STRATEGIC REPORT

### **Strategy and Priorities**

The strategic plan for the period 2014 – 2019 is aspirational and forward looking, building upon the University's successes and looking forward to opportunities for future growth. We will distinguish ourselves in the market and demonstrate that we are providing first class education and career opportunities.

In the new higher education landscape we will cultivate our reputation as a university by exceeding our benchmarks for student satisfaction, attainment, progression, completion and employability, while enhancing our international, research and knowledge transfer activities, in order to achieve our research and enterprise ambitions.

We will continue to develop sustainable partnerships with strategic providers in the UK and overseas, work even more closely with businesses and the voluntary sector to develop additional opportunities for our staff and students and develop additional income streams to ensure financial sustainability. We will take opportunities for growth where this is sustainable.

#### **Vision**

Renowned for developing socially impactful, highly employable individuals through pioneering, research-led learning and teaching.

#### **Mission**

Guided by our Catholic faith foundation, we provide an exceptional educational experience in a diverse community committed to the promotion of dignity, respect, social justice and equality in order to deliver social and economic impacts.

#### **Values**

Our values of dignity, respect, social justice and equality are lived out and evidenced by: striving for excellence in all that we do; being a compassionate, respectful and inclusive community embracing diversity; acting with integrity and transparency; and encouraging dialogue and collaboration.

### **Strategic Goals**

The University's strategic goals are to:

- Consolidate its position as a provider of outstanding education, developed and delivered in partnership with our students, business and industry, led by research and advanced practice
- Lead, through strategic partnerships with schools, colleges, businesses and voluntary organisations, the raising of educational aspirations in the region and provide a variety of routes to, and modes of accessing, higher education
- Create a strong, vibrant and sustainable research culture that guides our teaching, enables research excellence and enhances our academic reputation and credibility
- Establish business partnerships and collaborations for the delivery of knowledge exchange, consultancy and professional services to drive economic growth in the region
- Internationalise the campus, curriculum, outlook and experience of our students and staff

Each of these goals is underpinned by a set of priorities, action plans and performance indicators.

## Progress against the Strategic Plan

Progress against the strategic plan is measured against a Key Performance Indicator (KPI) suite mapped against each goal and with targets for each KPI over the period of the plan. Progress is monitored by the Board of Governors at each meeting and strategies put in place to address areas where progress is not in line with targets.

A summary of these indicators is provided below together with an overview of performance in 2016/17:

- **Student Numbers:** This indicator measures the growth in student numbers (expressed as FTEs) over the period of the strategic plan and against the growth path set out as the University seeks to grow. Student numbers exceeded 3,300 FTEs in 2016/17 and were at their highest ever but had fallen behind the targeted growth path.
- **Student Satisfaction:** Two indicators measure performance in the National Student Survey (NSS) where the University aspired to be in the top quartile for teaching excellence by 2016 and in the top quartile for overall satisfaction by 2017. Performance in 2017 was top quartile for both with 89% for teaching excellence and 90% for overall satisfaction.
- **Achievement:** This indicator measures the proportion of First Class and Upper Second Class degrees out of all undergraduate degrees awarded, with a target of year on year improvement. The original target for the end of the plan period had already been achieved in 2015 and there was a further increase to 78% in 2017.
- **Employability:** Two indicators measure employability of graduates six months after graduation as reported in the DLHE survey from HESA. The overall employability figure for 2016 of 97% was up on the previous year and ahead of the HESA benchmark target. Graduate level employability dropped to 62% and was short of the sector average target of 71%.
- **Widening Participation:** This indicator reflects Leeds Trinity's long history of commitment to widening access to higher education and seeks to ensure that the % of students from low participation neighbourhoods continues to exceed the HESA benchmark (target achieved).
- **Research:** Two indicators measure the creation of a vibrant and sustainable research culture as the University seeks to build on the award of university status. Both target year on year increases and whilst REFable research outputs was in line with this the value of research grant funding achieved fell from prior year.
- **Knowledge Exchange:** This indicator measures year on year increases in income in this area (achieved in 2016/17) as the University seeks to diversify its sources of income and improve the historically relatively low activity in this area.
- **Internationalisation:** Two indicators measure the internationalisation of the campus, curriculum and experience of students and staff at Leeds Trinity. Just as important as increases in the relatively small number of international students over the period of the plan (target not achieved in year) are year on year increases in the number of staff and students participating in study abroad or exchange activities (target achieved).
- **Financial Sustainability:** Three indicators are used to assess financial sustainability. Historic surplus as a % of income and staff costs as a % of income both missed target in 2016/17, due partly to higher than usual non-cash pension actuarial adjustments and exceptional restructuring costs, but underlying cash generation as measured by EBITDA was in line with target.



STRATEGIC REPORT

## **Operating Environment**

The current higher education landscape is a challenging one and has changed significantly over recent years as the new funding regime substantially shifted public funding from funding council grants to loan-funded student tuition fees. Tuition fee income varies precisely by student whereas the HEFCE funding grant could remain the same across a relatively wide range of recruitment outcomes.

The government's abolition of student number controls as far as they relate to HEFCE recruitment has allowed more scope for growth but unleashed a much more competitive recruitment market than previously, with increasingly aggressive competitive behaviour around the use of unconditional offers and more institutions entering clearing. Brexit is also playing a role with institutions keen to recoup any falls in EU students.

The 2017 HE Act has introduced significant changes to the sector's regulatory architecture and the introduction of a Teaching Excellence Framework (TEF) whose impact is as yet uncertain. The funding environment is also increasingly uncertain with the future direction of tuition fees becoming an increasingly political topic following the 2017 general election.

Initial teacher training continues to be a significant part of the University's portfolio. Whilst university providers continue to play a significant role, more schools are being encouraged to take the lead in teacher training via the School Direct route and Leeds Trinity is deploying its outstanding partnering links to build up a significant portfolio of partnerships in this area.

## **Highlights and Achievements in the Year**

Following the award of university title in December 2012, Leeds Trinity's profile and reputation in the higher education sector has continued to increase. In the most recent figures, Leeds Trinity was the top university in Yorkshire for employability and student satisfaction and was the joint highest climber in the most recent Sunday Times Good University Guide.

### **Student Recruitment**

This increased profile has contributed to increases in recruitment in recent years, with September 2016 enrolments matching the highest ever level from September 2015. A tough recruitment environment led to recruitment falling back in September 2017.

### **Student Experience**

The attractiveness of Leeds Trinity to potential students is enhanced by its reputation for high quality learning and teaching, which is the product of a commitment to providing personalised, one-to-one support for students. This is reflected in traditionally high levels of student satisfaction, with the 2017 NSS placing Leeds Trinity 18<sup>th</sup> of all HE institutions and the Sunday Times Good University Guide 2018 placing Leeds Trinity 9<sup>th</sup> nationally for student experience.

### **Student Attainment**

Attainment continues to show year on year improvement with 78% of graduates in 2017 achieving a first or upper second class. When combined with an entry tariff profile that reflects the University's commitment to widening participation, this reflects the University's success in enabling students to achieve their potential and the Guardian University Guide 2018 ranked Leeds Trinity 3<sup>rd</sup> for its 'value-added' score – which compares student's individual degree results with their entry qualifications to show how effective the teaching and support at an institution is.

### **Student Employability**

Leeds Trinity has also long been attractive for its employability record and the latest figures from the Higher Education Statistics Agency (HESA) showed 97% of graduates in work or further study six months after graduation. Leeds

## STRATEGIC REPORT

Trinity was one of the first universities to include compulsory professional placements with every degree and now has a business network of over 3,000 businesses across all sectors who offer students placements that are relevant to their degrees.

### Learning and Teaching

The University also remains true to its foundations by remaining a teaching focussed institution and Sunday Times Good University Guide 2018 placed Leeds Trinity 6<sup>th</sup> nationally for teaching quality.

### Research and Knowledge Exchange

Following the award of university status in 2012, the University is pursuing an ambitious research strategy laying out a development path towards Research Degree Awarding Powers (RDAP). From a minimal base in 2012, the University now has a thriving PhD and Masters by Research population.

The University sees the government's push for more apprenticeships as an opportunity for those institutions which can respond quickly and is bringing its traditionally strong employer links to bear in this area. The University was one of only 27 successful bids to the second round of HEFCE's Degree Apprenticeship Development Fund after being only one of 18 in the first round and has been leading the work with employers to create a new degree standard for supply chain managers.

### Widening Participation

The University runs the Leeds Children's University in collaboration with the Children's University Trust. The aim is to promote social mobility by offering exciting and innovative learning activities and experiences outside normal school hours to children aged 7 to 14 in order to raise aspirations at a young age. The graduation ceremony held during the year at the same venue and with the same formality as the University's own graduation ceremonies, presided over by the University's Vice-Chancellor and the Leeds Children's University Chancellor, the England footballer James Milner.

### Partnerships

The University has begun to make progress in developing partnerships both regionally and internationally that help it reach its aim of providing wider access to higher education. Developments with FE colleges include the delivery of top up programmes at FE colleges to meet the needs of students who want to stay in that environment to further their study, the validation of provision and the development of joint provision.

### People

The University has reviewed its approach to performance management, implementing a fresh approach to the annual staff review process and rebranded it 'Performing & Developing'. The whole process has been brought online making it easier for managers and staff to update performance objectives and identify development needs on an ongoing basis throughout the year. The new approach has also included the introduction of Leeds Trinity 'Staff Attributes', relevant to all staff and which bring clearer focus to the behaviours and characteristics which underpin the delivery of vision and values.

### Estates

The estates strategy includes an indicative £27m of capital expenditure across the strategic plan period and plans were progressed during the year to deliver the two largest projects. A new 228 bed £9.5m hall of residence on campus opened in September 2016, whilst a £5m extension to the learning centre was constructed during the year ready to provide additional learning and teaching space from September 2017.

## STRATEGIC REPORT

**Financial Overview**

Financial performance for the year ended 31 July 2017, together with the corresponding figures for the previous year, is summarised in the financial highlights shown below.

	2017 £000s	2016 £000s	Change %
Funding body grants	1,552	1,523	1.9
Tuition fees and education contracts	26,495	25,214	5.1
Other income	4,611	4,230	9.0
<b>Total income</b>	<b>32,658</b>	<b>30,967</b>	<b>5.5</b>
Total expenditure	32,021	28,848	11.0
<b>Operating surplus for the year</b>	<b>637</b>	<b>2,120</b>	<b>(69.9)</b>
Transfers from revaluation reserve	224	224	-
<b>Historical cost surplus for the year</b>	<b>861</b>	<b>2,344</b>	<b>(63.3)</b>
<b>Capital expenditure</b>	<b>8,740</b>	<b>9,533</b>	<b>(8.3)</b>
<b>Operating cash flow</b>	<b>5,413</b>	<b>4,893</b>	<b>10.6</b>
Cash and short term investments	3,580	7,221	(50.4)
Borrowings	(3,400)	(3,600)	5.5
<b>Net funds</b>	<b>180</b>	<b>3,621</b>	<b>(95.0)</b>
<b>Net assets including pension liability</b>	<b>25,104</b>	<b>19,484</b>	<b>28.8</b>

Total income increased by 5.5% under the effect of a continued rise in student numbers (3.1%) and a further cohort on fees at the fee cap level, with tuition fee income representing 81% of income. Other income increased by 9% under the influence of increased residential income following the completion of a new hall of residence.

Expenditure increased by 11% overall, with increases of 13.4% on staff costs, 4% on other operating costs and 18% on depreciation. The increase in staff costs excluding restructuring costs and year end pension adjustments was 9.8%, driven largely by the 5.4% increase in staff numbers as student numbers rose and a 2.5% pay rise and grade progression effect, together with increased pension contributions and the impact of the apprenticeship levy. The increase in depreciation arose from the completion of the new hall of residence. In line with prioritising student facing areas, academic costs were up more than the average at 13.5%.

Capital expenditure dropped slightly from last year but was still significant and cash and short term investment balances were allowed to decline in order to minimise use of the borrowing facilities, leading to liquidity days decreasing from 99 to 43 days. Net assets increased by £5.6m, under the influence of a £5m actuarial gain on the defined benefit pension scheme.

Borrowings declined to £3.4m during the year as £200k per annum repayments continued on the 25 year term loan drawn down during 2009-11. The £8m revolving credit facility put in place in June 2015 was used to draw down £3m for six months during the year but no amounts were drawn down as at the year end.

## STRATEGIC REPORT

**Financial Sustainability**

Leeds Trinity has been using three of the key HEFCE financial metrics as its main financial key performance indicators (KPIs). Performance for the three years' results under the new SORP are shown below:

	Actual 14/15 restated	Actual 15/16	Actual 16/17
Historic cost surplus as a % of income	8.1%	7.6%	2.6%
Staff costs as a % of income	54.7%	55.8%	60.0%
Liquidity days	182	99	43

The continuing usefulness of these metrics has been under review since the first reporting under the new SORP last year. Two of the measures are no longer used by HEFCE in its key financial indicator suite.

Historic cost surplus as a % of income was a main criteria used by HEFCE for judging financial performance and measuring the generation of available funds for future investment. This line no longer appears in the new SORP format financial statements and is no longer a key HEFCE metric.

Leeds Trinity's target was to be better than the sector average and this was consistently achieved whilst comparisons were available. Performance under this metric fell in 2016/17, partly due to a dip in operating performance but also under the influence of exceptional restructuring costs and a significant increase in the year end pension adjustments from the actuary in respect of the local government pension scheme.

Staff costs as a % of income was used as a HEFCE metric to measure the balance between staffing and other costs as a key indicator of the flexibility within the cost base to be able to respond to events. Whilst the diversity of the sector always made direct comparisons difficult, the different ways that the sector's various pension schemes are accounted for have made a simple use of this metric increasingly less useful. This is no longer a key HEFCE metric.

Although the diversity of the sector made direct comparisons difficult, it was felt that targeting a position around the sector average would provide the necessary flexibility. Whilst the ratio reduced significantly during the period before, over the last few years it has consistently remained between the sector average and lower quartile point. The increase in 2016/17 was partly influenced by exceptional restructuring costs and a near doubling of the year end pension adjustment in staff costs. Excluding these, the increase in staff costs as a % of income would have been from 54.1% to 55.7%.

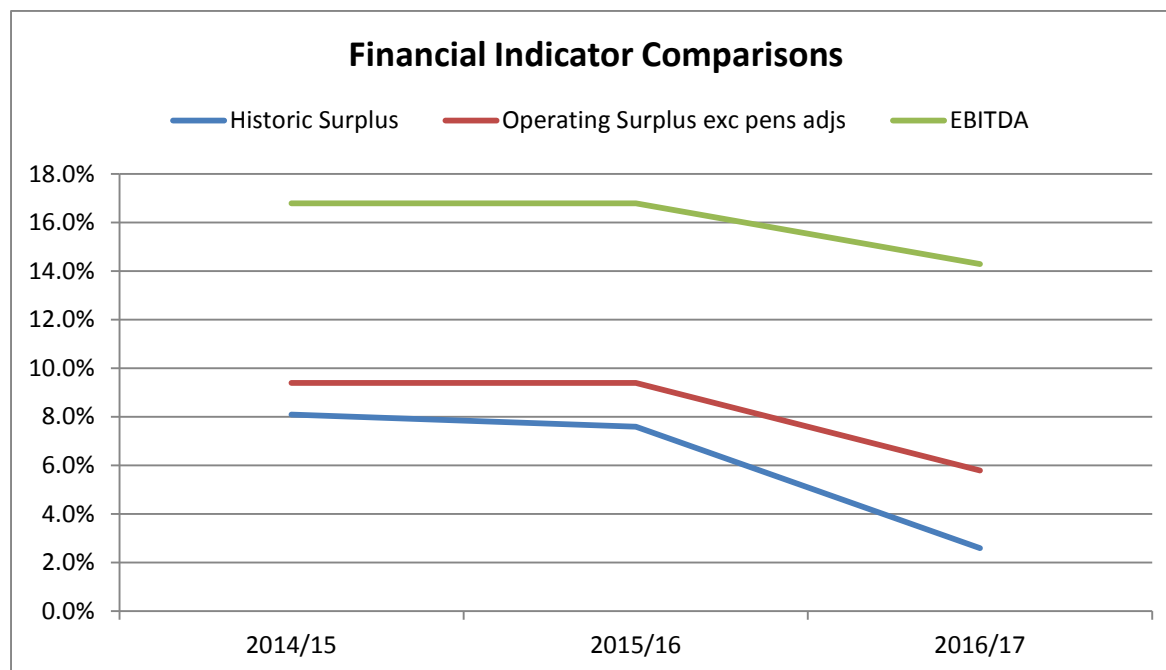
Liquidity days, at the balance sheet date and as per the HEFCE definition, is the key measure within Leeds Trinity's Treasury Management Strategy. The increased recruitment uncertainty in the new higher education environment, together with the cash flow disadvantage of moving from funding council grant to loan-funded tuition fees, is placing a higher premium on liquidity balances than previously. This is still a key HEFCE metric.

After improving this measure over recent years to the challenging target of the sector upper quartile point, the Treasury Management Strategy has allowed this to be varied over the last two years as cash balances have been used to part fund the large capital investment associated with the strategic plan. The 2016/17 figure is planned to be the low point with the aim now being to allow cash balances to rebuild as a cushion against uncertainty.

To provide a clearer focus on underlying performance and cash generation than the historic cost surplus figure allows, EBITDA was elevated to a main financial KPI during the year. Cash generation to fund the capital plan over the strategic plan period was a key component of the strategic financial plan target with an annual EBITDA of £4.5m being consistent with achieving targets. This has been achieved throughout the plan and was £4.7m in 2016/17.

## STRATEGIC REPORT

The graph below shows the EBITDA performance over the last three years alongside that of historic cost surplus and operating surplus excluding pension adjustments. This is the time period of both the new SORP financial statements and also the current strategic plan period.



The decline in both surplus measures is more pronounced than EBITDA due to the increasing depreciation charge within the surplus. The gap between the historic surplus and the other two measures has widened as the year end pension adjustments have significantly increased.

The financial KPI suite will be formally revised during the coming year to restore an appropriate balance between key internally generated targets and available sector comparisons.

### Principal Risks and Uncertainties

The major strategic and financial risks facing the University and its response to those risks are:

#### Student Recruitment, Experience and Progression:

As a teaching focussed University which derives the majority of its income from tuition fees, the ability to recruit and retain planned student numbers in an increasingly competitive market is fundamental to the University's success. The introduction of the Teaching Excellence Framework (TEF) and the impact of Brexit are likely to further intensify competitive pressures. The University is managing these risks by ensuring the continued attractiveness of its portfolio through regular planning and review, including extension into new areas; by continuing and evolving the marketing approach of recent years; by close attention to our management of the recruitment process; and by an enhanced focus on improvements in retention and progression.

#### Teacher Education:

Given its continuing significance within the portfolio, the potential for continuing changes in government policy towards teacher education has led the University to regard this area as a specific and significant area of risk and uncertainty beyond the wider student recruitment risk. The University is managing this risk by developing new school-partnered business models for both initial teacher training and for continuing professional development for teachers, by actively and successfully increasing the number of school partnerships delivering these models, and by exploring new ways of closer working with schools.

## STRATEGIC REPORT

### Financial Environment and Sustainability:

Failure to adequately address the changeable environment brought about by the risks and uncertainties around student recruitment and teacher education, together with uncertain political environment around fees and funding, would mean the ability to respond to changes is restricted and financial sustainability is threatened. The University is managing these risks by careful management of the cost base to ensure value for money and to retain flexibility, by a financial strategy prioritising levels of surplus which would provide a contingency reserve and by robust scenario planning and consideration of available options.

### Plans for Future Periods

The outlook over the next few years will remain a challenging one as outlined in the Operating Environment and Principal Risks & Uncertainties sections. The current strategic plan for 2014-19 sets out how Leeds Trinity will distinguish itself in the market and the Governors believe that achievement of the strategic goals will enable Leeds Trinity to be able to compete successfully and thrive in this more uncertain higher education environment. The Governors believe that Leeds Trinity will achieve its strategic goals by retaining its commitment to academic excellence, maintaining a financially sustainable business model and by developing and investing in its students, employees and infrastructure.

Significant rises in recruitment over recent years will provide a cushion against the immediate impact of any falls in recruitment. Leeds Trinity is also targeting growth in degree apprenticeships by leveraging its outstanding employer links. The academic portfolio will continue to grow into new areas where evidence suggests that demand exists whilst existing areas and services will continue to evolve to meet changing student demands and needs.

The financial strategy during the growth phase was to control support costs so as to enable the economies of scale from growth to feed through to levels of surplus sufficient to substantially fund the planned continued investment in learning and teaching, the campus and facilities. Over the strategic plan period, the estates strategy included a new hall of residence and additional teaching and learning space and these have been delivered and funded from internal cash generation without any requirement for additional long term funding (although in order to retain flexibility and facilitate timing over the period, an £8m three year revolving credit facility has been in place since June 2015 with an option to term out).

### Approval

The Strategic Report has been approved by the Board and is signed below on its behalf.

Mr I Burrell  
On behalf of the Board of Governors and Board of Directors  
24 November 2017

## DIRECTORS' REPORT

### **Risk Management**

The HEFCE Accounts Directive requires that the University embeds risk management within the organisation. The Board of Governors and its Audit Committee have carefully considered the risk management process within the institution and are of the opinion that this requirement has been met.

The University reviews its risks and updates its corporate risk register on a regular basis. Key risk indicators and early warning mechanisms are highlighted and control arrangements established. If necessary, action plans to reduce the major risks are designed and implemented. The most significant risks are outlined in the Principal Risks and Uncertainties section of the Strategic Report.

### **Going Concern**

The University's activities, together with the uncertainties arising and the factors likely to affect its future developments, performance and position are set out in the Operating Environment, Principal Risks and Uncertainties, and Plan for Future Periods sections of the Strategic Report. The financial position of the University is described in the Financial Overview and Financial Sustainability sections of the Strategic Report and in more detail within the financial statements and accompanying notes.

As a consequence, the Board of Governors believes that the University is well placed to manage its risks successfully. Consideration has been given to government policies and their potential impact. The current forecasts and projections, including reasonable downside sensitivities, show that the University should be able to operate within its current facilities and available headroom and maintain compliance with covenants. The Board of Governors considers that the University has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the Annual Report and Financial Statements.

### **Employment Policy**

The University is committed to ensuring that its workplaces are free from discrimination of any kind. Recruitment and employment decisions are made on the basis of fair and objective criteria. Pay and grading structures operate within a national pay framework designed to support the recruitment and retention of staff and to ensure equal pay for work of equal value, and equality impact assessments are conducted as appropriate.

### **Remuneration Committee and Policy**

The aim of the remuneration policy is to attract, retain and continue to motivate talented Executives within an overall remuneration strategy for the Institution that supports the achievement of the Strategic Plan. The Board has an established Remuneration Committee which comprises five independent members of the Board. The Vice-Chancellor and HR Director attend meetings to provide advice to the Committee and the Clerk to the Board also attends the meetings. Executives are not in attendance when their own remuneration is being considered. The Committee operates under Terms of Reference agreed by the Board.

### **Staff and Student Involvement**

Leeds Trinity believes good communication with staff and students to be very important. There is an effective communication strategy which includes staff newsletters, meetings and regular updates. Staff are encouraged to participate through formal and informal consultations at various levels and through membership of formal committees. There is also a bi-annual staff perceptions survey that is considered by senior management, governors and the Joint Consultative Committee.

The President of the Students' Union is a member of the Board of Governors and the Academic Board. Students are represented on departmental committees and their views are sought through various means including student surveys and at least one annual student forum. The deliberative structures allow for both academic and support staff and for students to be represented throughout. Staff, students and governors were involved in the strategic plan consultation process.

## DIRECTORS' REPORT

### **Equal Opportunities**

The University is an equal opportunities organisation and is committed to an environment that is free from any form of discrimination on the grounds of colour, race, ethnicity, religion, sex, sexual orientation or disability. The University operates an Equal Opportunities Policy and is committed to equal opportunities for both staff and students, ensuring that all individuals are treated with respect at all times and are given equality of opportunity in all activities.

The policy of the University is that applications from disabled persons should receive full and fair consideration for posts for which they are suitable applicants. Where an existing employee becomes disabled they will be retained in employment wherever reasonably possible and will be given help with any necessary rehabilitation and training. Disabled employees are provided with the same opportunities for promotion, career development and training as other employees.

### **Strategic Report**

Further information on the University and its activities can be found in the Strategic Report, including its strategy and progress against the strategy, its operating environment and principal risks, likely future plans and developments and significant research and development activities.

### **Conclusion**

The Governors believe that the University has a sound base from which to meet the likely challenges that will face the higher education sector over the short to medium term. The Governors are confident that the University, through sustainable investment in the future and very careful management of the risks, has the necessary plans and strategies in place to help ensure that the targets set for the coming years can be achieved.

### **Directors**

The Directors who served in the period are set out on page 1 of these financial statements.

### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

### **Approval**

The Directors' Report has been approved by the Board and is signed below on its behalf.

Mr I Burrell  
On behalf of the Board of Governors and Board of Directors  
24 November 2017



CORPORATE GOVERNANCE

**Responsibilities of the Board of Governors**

In accordance with the Articles of Association, the Board of Governors of Leeds Trinity University is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year. The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the University's transactions and disclose with reasonable accuracy at any time, the financial position of the University and to enable it to ensure that the financial report and accounts are prepared in accordance with the Instrument of Government, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions, United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) and the Companies Act 2006.

In addition, within the terms and conditions of the Memorandum of Assurance and Accountability agreed between the Higher Education Funding Council for England and the Board of Governors of Leeds Trinity University, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year. The Board of Governors 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 University and of the surplus or deficit of the University for the year.

In causing the financial statements to be prepared, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Board of Governors has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that funds from the National College for Teaching and Leadership (NCTL) are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the NCTL and any other conditions which the NCTL may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of departments;
- a comprehensive short and medium-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and timely reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance and Resources Committee and Board of Governors; and

## CORPORATE GOVERNANCE

- a professional Internal Audit process with an annual programme approved by the Audit Committee and whose head provides the Board of Governors, through the Audit Committee, with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including risk management, control, governance processes and the arrangements in place to secure economy, efficiency, and effectiveness.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

### **Statement on Internal Control**

The Board of Governors is responsible for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the Articles of Association and the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England (HEFCE). The system of internal control covers business, operational and compliance risks as well as financial risks.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. The Board of Governors is of the opinion that this process has been in place for the year ended 31 July 2017 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

The Board of Governors has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- The Board receives periodic reports from the Chair of the Audit Committee concerning internal control and requires regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- The Board of Governors formally approves the risk register at least annually.
- The Executive acts as the Risk Management Group. The Risk Management Co-ordinator reports regularly, on behalf of the group, to the Audit Committee who oversees the risk management process on behalf of the Board of Governors.
- Risk management training has been held throughout the University.
- A robust risk prioritisation methodology based on likelihood and significance has been established.
- An organisation wide risk register is maintained and reviewed regularly.

The University has an internal audit service which operates to standards defined in Accountability and Audit: HEFCE Code of Practice. The internal auditors submit regular reports which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The review of the effectiveness of the system of internal control by the Board of Governors is informed by the work of the internal auditors and the executive managers within the University who have responsibility for the development and maintenance of the internal control framework and by comments made by the external auditors in their management letter and by other reports.

CORPORATE GOVERNANCE

**Governors' Statement on Corporate Governance**

The following statement is provided to enable readers of the annual report and financial statements to obtain a better understanding of the governance and legal structure of Leeds Trinity University.

Leeds Trinity University is a company limited by guarantee, formally established in 2007 as an incorporated body. It is a registered charity. Its objects, powers and framework of governance are set out in its Memorandum and Articles of Association. Members of the Board of Governors are Directors of the Company and Trustees of the Charity. As a Catholic foundation established in 1966, the institution operated under a Trust Deed until its incorporation in 2007. The current Memorandum and Articles of Association of Leeds Trinity University state: 'The objects of Leeds Trinity University shall be the establishment, conduct and development of a Roman Catholic institution for the advancement of education for the benefits of the public.' The Board of Governors approves the Strategic Plan of the institution. The Articles of Association require the University to have a governing body and an academic board, each with clearly defined functions and responsibilities, to oversee its activities.

The Board of Governors

The Board of Governors is the governing body and comprises external independent members, together with staff and students of the University, appointed in accordance with the Articles of Association. There is a majority of independent, non-executive members.

The Board of Governors is responsible for the overall direction of Leeds Trinity University; its specific powers and responsibilities are set out in the Articles of Association and in the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England (HEFCE). The Chair of the Board of Governors is separate from the role of the Vice-Chancellor and Chief Executive. The Catholic Bishop of Leeds is ex-officio Chair of the Board of Governors, but the Articles of Association contain provision for another member to act as nominated Chair of the Board and this arrangement has been in operation since incorporation in 2007.

The Academic Board

The Board of Governors has established an Academic Board, which is responsible for the oversight of the academic work and activities of the institution, and for safeguarding and enhancing academic standards and which plays a significant leadership role in the strategic academic development of the University. The Vice-Chancellor chairs the Academic Board, which comprises ex-officio and elected staff and students. The Board of Governors receives reports from Academic Board.

The Vice-Chancellor

The Vice-Chancellor is Chief Executive of the institution and has general responsibility for the organisation and management of Leeds Trinity University. Under the terms of the Memorandum of Assurance and Accountability with HEFCE, the Vice-Chancellor is the designated officer and, in that capacity, can be summoned to appear before the Public Accounts Committee of the House of Commons. The Vice-Chancellor makes reports to Board of Governors meetings on developments in the higher education sector and their potential impact on Leeds Trinity University.

The Clerk to the Board

The Secretary is appointed by the Board of Governors under the Articles of Association to act as Clerk to the Board and its committees. All Governors have access to the advice and services of the Clerk to the Governors and may seek independent advice if they wish. Some company secretarial work is undertaken for the Directors by an external firm.

## CORPORATE GOVERNANCE

### The Structure of Governance

Leeds Trinity University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life and with best practice derived from advice from the Committee of University Chairs (CUC) and from the corporate sector. The University complies in all material respects with the CUC Governance Code of Practice. The exception to this is the role of the Chair, which is ex-officio rather than appointed by the governing body from amongst its independent members. However as noted above, the Articles of Association contain provision for another member to act as nominated Chair of the Board and this arrangement has been in operation since incorporation in 2007. The Board has in place a Statement of Primary Responsibilities. The University maintains a Register of Interests of members of the Board and senior officers which is updated annually and whenever new interests occur. The Register of Interests may be consulted by arrangement with the Clerk.

The Articles of Association do not permit the Board of Governors to delegate any matter relating to:

- The determination of the educational and Catholic character and objects of the University;
- The approval of annual estimates of income and expenditure;
- Ensuring the solvency of the University, and ensuring the safeguarding of its assets;
- The appointment of senior post-holders, including the Vice-Chancellor; and
- The termination of the membership of any Governor.

The Board receives regular reports from the Vice-Chancellor and other senior officers on the work of the University. In line with good practice and CUC guidance, the Board conducts rigorous reviews of its effectiveness, and of the effectiveness of the University's structure of corporate and academic governance. These reviews include the use of independent external expertise. The most recent such review took place during 2013/14.

The Board of Governors meets six times each year with an away day meeting to consider strategy. The Board has established committees to support its work. All of these committees are formally constituted with terms of reference and membership approved by the Board. Their membership comprises independent members of the Board and in some cases staff and students. The standing committees are:

Audit Committee

Finance and Resources Committee

Governance and Nominations Committee

Remuneration Committee

All of these committees, together with the Academic Board, report and make recommendations to the Board of Governors, either in the form of a written report or their minutes. All committees provide an annual report to the Board and the Audit Committee report is also submitted to HEFCE.

### **Statement of Primary Responsibilities**

The Board of Governors adopts the following Statement of Primary Responsibilities, which are based upon the Memorandum and Articles of Association and recommended good practice. This statement is based on the Model Statement contained in the Governance Code of Practice published by the Committee of University Chairmen, adapted to reflect the powers and responsibilities that the Board of Governors of Leeds Trinity University has that derives from the University Statutes.

The Board of Governors is the governing body of the University. The Board of Governors has ultimate responsibility for the affairs of the University. It is responsible for reviewing the work of the University and taking such steps as it thinks proper for the purpose of advancing the interests of the University, maintaining its efficiency, encouraging teaching, the pursuit of learning and research and providing for the recreation and wellbeing of students.

CORPORATE GOVERNANCE

Consistent with the University's constitution, the primary responsibilities of the Board of Governors are:

- a) The determination of the educational and Catholic character and objectives of Leeds Trinity and for the supervision of its activities. This is achieved by the approval of the University's mission, values and vision as part of the approval and ongoing monitoring of the strategic plan;
- b) To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to monitor these on an ongoing basis to ensure that these meet the interests of stakeholders;
- c) To delegate authority to the head of the institution as Chief Executive for the academic, corporate, financial, estate and personnel management of the institution. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution;
- d) To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest;
- e) To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions;
- f) To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself;
- g) To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life;
- h) To safeguard the good name and values of the institution;
- i) To appoint the head of the institution as Vice-Chancellor and Chief Executive, and to put in place suitable arrangements for monitoring her/his performance;
- j) To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability;
- k) To ensure that appropriate systems are in place with regards to the employment of staff;
- l) To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate;
- m) To ensure that appropriate systems are in place for meeting all the institution's legal obligations;
- n) To make such provision as it thinks fit for the general welfare of students, in consultation with the academic board;
- o) To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution; and
- p) To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.

This Statement shall be published widely, including on the internet and in the annual report, along with identification of key individuals (that is, Chair, Vice Chair, Senior Independent Governor, Vice-Chancellor, and Chairs of key committees).

The description of the responsibilities that the governing body delegates to the Vice-Chancellor is that outlined in Article 14 of the Articles of Association.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEEDS TRINITY UNIVERSITY**

We have audited the financial statements of Leeds Trinity University for the year ended 31 July 2017 which comprise the Comprehensive Statement of Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the University's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the University's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the University's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board of Governors and auditor**

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2017 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEEDS TRINITY UNIVERSITY (continued)**

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

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

### **Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice**

In our opinion, in all material respects:

- income from the funding council, National College for Teaching and Leadership, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2017 have been applied for the purposes for which they were received;
- income during the year ended 31 July 2017 has been applied in accordance with the University's statutes and, where appropriate, with the memorandum of assurance and accountability, with the funding agreement with the National College for Teaching and Leadership; and
- the requirements of HEFCE's accounts direction have been met.

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

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

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

Paul Hewitson ACA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Leeds, UK

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2017

**1. Basis of preparation**

These financial statements have been prepared in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with applicable United Kingdom laws and Accounting Standards. The financial statements are prepared in accordance with the historical cost convention, as modified by the revaluation of certain land and buildings for which a cost is not readily ascertainable.

The financial statements have been prepared on the going concern basis.

The principal accounting policies are summarised below. They have been applied consistently throughout the current and prior years.

**2. Going concern**

The University's academic activities, together with the uncertainties arising and the factors likely to affect its future developments, performance and position are set out in the Strategic Report. The financial position of the University, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report and in more detail within the Statement of Principal Accounting Policies and Notes to the Financial Statements.

As a consequence, the Board of Governors believes that the University is well placed to manage its risks successfully. Consideration has been given to government policies and their potential impact. The current forecasts and projections, including reasonable downside sensitivities, show that the University should be able to operate within its current facilities and available headroom and maintain compliance with covenants.

The Board of Governors considers that the University has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the Annual Report and Financial Statements.

**3. Basis of consolidation**

The financial statements do not include those of Leeds Trinity Students' Union as it is a separate organisation over which the University does not have control or significant influence.

The University holds a £1 guarantee in respect of YHUA Ltd ("Yorkshire Universities"), a company limited by guarantee. As the University does not have control or significant influence and holds less than 10% of the total guarantee the results have not been included in these financial statements.

**4. Recognition of income**

Funding Council block grants are accounted for in the period to which they relate.

Fee income is credited to the statement of comprehensive income and expenditure over the period in which students are studying. Bursaries and scholarships are accounted for as expenditure and not deducted from income.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University 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 University is entitled to the funds.



STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2017

**4. Recognition of income (continued)**

Non-recurrent grants from the Higher Education Funding Council for England, the National College for Teaching and Leadership or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

**5. Agency arrangements**

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

**6. Accounting for retirement benefits**

The University contributes to the Teachers' Pension Scheme (TPS) for academic staff (lecturing staff and holders of some senior posts) and to the Local Government Pension Scheme administered by the West Yorkshire Pension Fund (WYPF) for other staff. Both schemes are defined benefit schemes.

The TPS is a multi employer scheme and it is not possible to identify the assets of the scheme which are attributable to the University. In accordance with FRS102, this scheme is accounted for on a defined contribution basis and contributions to the scheme are included as expenditure in the period in which they are payable.

For WYPF the University is able to identify its share of assets and liabilities and thus the University fully adopts the recognition and disclosure requirements of FRS102 "Retirement Benefits".

For WYPF the cost of providing benefits is determined using the projected unit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised in the Statement of Comprehensive Income and Expenditure.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The pensions deficit / surplus recognised in the Balance Sheet represents the present value of the defined benefit obligation adjusted for unrecognised past service cost, and the pension asset represents the fair value of the scheme assets.

**7. Land and buildings**

Land and buildings are stated at valuation or cost; the basis of valuation is depreciated replacement cost. Valuations are carried out by independent Chartered Surveyors.

On adoption of FRS15, the Institution followed the transitional provision to retain the book value of land and buildings, which were valued on 31 July 1995 by Gerald Eve, Chartered Surveyors, but not to adopt a policy of revaluations of these properties in the future.

Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the institution from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned.

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful life of 50 years and extensions to buildings over 20 years on the amount at which the tangible fixed asset is included in the balance sheet. Depreciation is on a straight line basis.

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2017

**8. Equipment, furniture, vehicles, fixtures and fittings**

Equipment, including computers, software and furniture costing less than £5,000 per individual item or group of related items is written off to the income and expenditure account in the year of acquisition. All other tangible assets are capitalised at cost.

All assets are depreciated on a straight line basis over their useful economic life as follows:

Equipment, furniture and fittings	3-10 years
Motor vehicles	4-6 years

Assets under construction are not depreciated until completed and brought into use.

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

**9. Cash and cash equivalents / Investments**

Cash includes cash in hand, cash at bank, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash.

Term deposits held as cash but not available within 24 hours without penalty are shown as investments. Other current asset investments, which may include listed investments, are shown at the lower of cost and net realisable value.

**10. Stock**

Stock represents goods held for resale and is stated at the lower of purchase cost and net realisable value as valued by an independent stock-taker and is measured using an average cost formula.

**11. Operating Leases**

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

**12. Taxation status**

The University is registered under 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 (ICTA 1988). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

**13. Financial Instruments**

Financial assets and financial liabilities are recognised when the University becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs). Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment. Other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2017

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

**14. Provisions**

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

**15. Cash flows and liquid resources**

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash.

Liquid resources comprise assets held as readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

**16. Accounting for charitable donations**

Charitable donations are recognised in the financial statements when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these are accounted for as endowments. The University's endowments are restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income.

**17. Significant accounting estimates and judgements**

Preparation of the financial statements requires management to make significant estimates and judgements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a. Estimates in pension costs

The University has obligations to pay pension benefits to certain employees who are members of the West Yorkshire Pension Fund (WYPF), a scheme accounted for as a defined benefit plan. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, salary increases, asset valuations, the duration of liabilities and the discount rate on corporate bonds. Management estimates these factors, using external professional advice, in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

b. Judgements in fixed assets and depreciation

Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the University from the asset beyond its previously assessed standard of performance.. The assessment of these factors requires management's judgement.

The annual depreciation charge for fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. Depreciation methods, useful economic lives and residual values are reviewed by management at the date of preparation of each Balance Sheet and amended where necessary. The assessment of these factors requires management's judgement.

## STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

For the year ended 31 July 2017

	Note	Year ended 31 July 2017 £	Year ended 31 July 2016 £
<b>INCOME</b>			
Tuition fees and education contracts	1	26,494,949	25,214,373
Funding body grants	2	1,551,597	1,523,227
Research grants and contracts	3	66,031	52,943
Other income	4	4,538,627	4,127,695
Investment income	5	6,183	48,481
Donations and Endowments	6	600	750
<b>Total income</b>		<u>32,657,987</u>	<u>30,967,469</u>
<b>EXPENDITURE</b>			
Staff costs	7,8	19,594,228	17,276,183
Other operating expenses	8	9,146,673	8,794,238
Depreciation	8,9	2,640,837	2,234,485
Interest and other finance costs	8	639,559	542,679
<b>Total expenditure</b>	8	<u>32,021,297</u>	<u>28,847,585</u>
<b>Surplus for the year</b>		<u>636,690</u>	<u>2,119,884</u>
Actuarial gain / (loss) in respect of pension schemes	14	4,983,000	(4,952,000)
<b>Total Comprehensive income / (expense) for the year</b>		<u>5,619,690</u>	<u>(2,832,116)</u>
Represented by:			
Endowment comprehensive income / (expense) for the year		-	50
Restricted comprehensive income / (expense) for the year		-	(500)
Unrestricted comprehensive income / (expense) for the year		5,619,690	(2,831,666)
		<u>5,619,690</u>	<u>(2,832,116)</u>

The Statement of Comprehensive Income and Expenditure is in respect of continuing operations.

## STATEMENT OF CHANGES IN RESERVES

For the year ended 31 July 2017

	Income and Expenditure Account			Revaluation Reserve	Total
	Endowment	Restricted	Unrestricted		
	£	£	£		
<b>Balance at 1 August 2015</b>	6,222	818	16,244,256	6,065,154	22,316,450
Surplus from income and expenditure statement (restated)	50	(500)	2,120,334	-	2,119,884
Other comprehensive expense	-	-	(4,952,000)	-	(4,952,000)
Transfer between revaluation and income and expenditure reserve	-	-	224,363	(224,363)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income / (expense) for the year	50	(500)	(2,607,303)	(224,363)	(2,832,116)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 1 August 2016</b>	6,272	318	13,636,953	5,840,791	19,484,334
Surplus from income and expenditure statement	-	-	636,690	-	636,690
Other comprehensive income	-	-	4,983,000	-	4,983,000
Transfer between revaluation and income and expenditure reserve	-	-	224,363	(224,363)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income / (expense) for the year	-	-	5,844,053	(224,363)	5,619,690
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 July 2017</b>	6,272	318	19,481,006	5,616,428	25,104,024
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## BALANCE SHEET

As at 31 July 2017

	Note	31 July 2017 £	31 July 2016 £
<b>NON CURRENT ASSETS</b>			
Tangible Fixed assets	9	42,609,430	36,533,593
<b>CURRENT ASSETS</b>			
Stock		5,812	5,866
Trade and other receivables	10	1,481,139	1,025,678
Investments	11	824	4,512,592
Cash and cash equivalents		3,579,391	2,708,821
<b>CREDITORS: amounts falling due within one year</b>	12	5,067,166 (4,807,802)	8,252,957 (3,554,088)
<b>NET CURRENT ASSETS</b>		259,364	4,698,869
<b>Total assets less current liabilities</b>		42,868,794	41,232,462
<b>CREDITORS: amounts falling due after more than one year</b>	13	(6,714,237)	(6,877,788)
<b>Provisions for pensions</b>	14	(11,050,533)	(14,870,340)
<b>NET ASSETS</b>		25,104,024	19,484,334
<b>Restricted Reserves</b>			
Income and expenditure reserve – endowment reserve	15	6,272	6,272
Income and expenditure reserve – restricted reserve	15	318	318
<b>Unrestricted Reserves</b>			
Income and expenditure account excluding pension reserve		30,007,006	27,950,953
Pension reserve	14	(10,526,000)	(14,314,000)
Revaluation reserve	16	5,616,428	5,840,791
<b>TOTAL RESERVES</b>		25,104,024	19,484,334

The financial statements of the University (registered company number 6305220) on pages 22 to 44 were approved by the Board of Governors on 24 November 2017 and were signed on its behalf by:

Mr I Burrell  
Chair of the Board of Governors

Prof M House  
Vice-Chancellor and Chief Executive

## CASH FLOW STATEMENT

For the year ended 31 July 2017

	<b>Year ended 31 July 2017 £</b>	<b>Year ended 31 July 2016 £</b>
<b>Cash flow from operating activities</b>		
Surplus for the year	636,690	2,119,884
<b>Adjustment for non-cash items</b>		
Depreciation (note 8)	2,640,837	2,234,485
Deferred capital grants released to income (note 2)	(190,298)	(225,847)
Decrease in stock	54	13,013
Increase in debtors	(455,460)	(17,709)
(Decrease)/Increase in creditors	1,306,265	(224,200)
Decrease in provisions	(31,807)	(32,009)
Current service cost in excess of contributions (note 8)	935,000	515,000
<b>Adjustment for investing or financing activities</b>		
Investment income (note 5)	(6,183)	(48,481)
Interest and other finance costs (note 8)	639,559	542,679
Additional capital pension contribution	(70,000)	
Loss on write-off and disposal of fixed assets	23,244	15,727
<b>Net cash inflow from operating activities</b>	<u>5,427,901</u>	<u>4,892,543</u>
<b>Cash flows from investing activities</b>		
Payments made to acquire fixed assets	(8,818,585)	(9,454,482)
Movement on deposits	4,511,768	5,548,909
Other interest received	6,183	62,714
	<u>(4,300,634)</u>	<u>(3,842,859)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(311,928)	(263,508)
Deferred capital grant received	255,231	202,570
Repayments of term loan borrowings	(200,000)	(200,000)
Amounts draw down from revolving credit facility	3,000,000	-
Amounts repaid to revolving credit facility	(3,000,000)	-
	<u>(256,697)</u>	<u>(260,938)</u>
<b>Increase in cash in the year (note 17)</b>	<u>870,570</u>	<u>788,746</u>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2017**1. TUITION FEES AND EDUCATION CONTRACTS**

	<b>Year ended 31 July 2017</b>	<b>Year ended 31 July 2016</b>
	£	£
Full-time home and EU students	25,789,622	24,517,989
Full-time international students	119,300	172,150
Part-time home and EU students	586,027	524,234
	<u>26,494,949</u>	<u>25,214,373</u>

**2. FUNDING BODY GRANTS**

	<b>HEFCE</b>	<b>NCTL</b>	<b>Year ended 31 July 2017</b>	<b>Year ended 31 July 2016</b>
	£	£	<b>Total</b>	<b>Total</b>
			£	£
Recurrent grant	1,276,646	-	1,276,646	1,172,822
Specific grants	77,360	7,293	84,653	124,558
Releases of deferred capital grants				
Buildings	190,298	-	190,298	225,847
Total	<u>1,544,304</u>	<u>7,293</u>	<u>1,551,597</u>	<u>1,523,227</u>

**3. RESEARCH GRANTS AND CONTRACTS**

	<b>Year ended 31 July 2017</b>	<b>Year ended 31 July 2016</b>
	£	£
Research councils and charities	18,990	13,679
Government	39,192	39,007
Other	7,849	257
	<u>66,031</u>	<u>52,943</u>

**4. OTHER INCOME**

	<b>Year ended 31 July 2017</b>	<b>Year ended 31 July 2016</b>
	£	£
Residences, catering and conferences	3,461,314	3,061,307
Other income	1,077,313	1,066,388
	<u>4,538,627</u>	<u>4,127,695</u>



NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2017

**5. INVESTMENT INCOME**

	Note	Year ended 31 July 2017 £	Year ended 31 July 2016 £
Income from short term investments		6,183	48,481

**6. DONATIONS AND ENDOWMENTS**

	Note	Year ended 31 July 2017 £	Year ended 31 July 2016 £
Unrestricted donations		600	750

**7. STAFF COSTS**

	Year ended 31 July 2017 No	Year ended 31 July 2016 No
The average number of persons (including senior post-holders) employed by the University during the year, expressed as full-time equivalents, was:		
Lecturing staff, holders of senior posts, staff paid on academic scales and part-time lecturers	167	156
Administrative, professional and technical staff	186	172
Other	74	77
	<u>427</u>	<u>405</u>

	Note	Year ended 31 July 2017 £	Year ended 31 July 2016 £
<b>Staff costs for the above persons:</b>			
Wages and salaries		14,480,534	13,389,896
Social security costs		1,425,894	1,128,005
Contributions to pension schemes	20	2,250,157	2,015,276
Pension enhancement costs	20	35,722	36,922
Restructuring costs		466,921	191,084
Current service cost in excess of contributions	20	935,000	515,000
Total		<u>19,594,228</u>	<u>17,276,183</u>

The numbers of staff, including the Vice-Chancellor and other key management personnel, who received emoluments (excluding pension contributions) in the following ranges were:

	Year ended 31 July 2017 No	Year ended 31 July 2016 No
£100,001 to £110,000	-	2
£110,001 to £120,000	1	-
£160,001 to £170,000	-	1
£170,001 to £180,000	1	-

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2017**7. STAFF COSTS (CONTINUED)**

<b>Directors' remuneration</b>	<b>Year ended 31 July 2017 £</b>	<b>Year ended 31 July 2016 £</b>
Emoluments	251,375	255,954
Pension contributions	30,678	41,426
	<u>282,053</u>	<u>297,380</u>

<b>The number of directors who:</b>	<b>Year ended 31 July 2017 No</b>	<b>Year ended 31 July 2016 No</b>
Are members of a defined benefit pension scheme	<u>4</u>	<u>3</u>

The amount shown for Directors' remuneration represents amounts paid to four (2015/16: three) directors in respect of their employment by the University (the Vice Chancellor and three elected staff governors (2015/16: two elected staff governors)) and not in respect of any duties for acting as directors. At any one point in time there were only three directors who were members of a defined benefit scheme, but due to a change of staff governor there were four individuals who this applied to over the course of the year.

<b>Remuneration of Vice Chancellor (being the highest paid director)</b>	<b>Year ended 31 July 2017 £</b>	<b>Year ended 31 July 2016 £</b>
Salary	166,815	165,000
Bonus	3,300	-
Supplement in lieu of pension contributions	4,886	-
	<u>175,001</u>	<u>165,000</u>
Pension contributions	18,327	26,865
	<u>193,328</u>	<u>191,865</u>

The Vice Chancellor was a member of a defined benefit pension scheme until part way through the year when they opted out of the scheme. The Vice Chancellor now receives a salary supplement in lieu of pension contributions. The cost of the supplement to the University is less than the employer pension contributions would be. The Vice Chancellor had accrued entitlements (including service from employment prior to Leeds Trinity University) of £56,294 under the scheme at the point of opting out.

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2017**7. STAFF COSTS (CONTINUED)**

<b>Key Management Personnel</b>	<b>Year ended 31 July 2017 £</b>	<b>Year ended 31 July 2016 £</b>
Emoluments	460,392	480,000
	<u>460,392</u>	<u>480,000</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University, here defined as the University's Executive Team. Emoluments includes compensation paid to key management personnel, excluding any employer's pension contribution.

**8. ANALYSIS OF 2016/2017 EXPENDITURE BY ACTIVITY**

	<b>Staff costs</b>	<b>Depreciation</b>	<b>Other operating expenses</b>	<b>Interest and other finance costs</b>	<b>Total Year ended 31 July 2017</b>	<b>Total Year ended 31 July 2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Academic departments	10,153,465	143,186	2,295,033	10	12,591,694	11,089,843
Academic services	1,977,982	742,169	1,126,992	306	3,847,449	3,833,795
Residences and catering	677,178	490,346	919,179	591	2,087,294	1,946,412
Research grants and contracts	4,967	-	26,534	-	31,501	35,880
Premises	507,368	1,205,205	1,009,423	-	2,721,996	2,756,395
Administration and other	4,871,347	59,931	3,758,976	308,652	8,998,906	8,388,260
Exceptional restructuring cost	466,921	-	-	-	466,921	-
Loss on w/off of fixed assets	-	-	10,536	-	10,536	-
Current service cost in excess of contributions	935,000	-	-	-	935,000	515,000
Net interest on pension liabilities	-	-	-	330,000	330,000	282,000
<b>Total per income and expenditure account</b>	<u>19,594,228</u>	<u>2,640,837</u>	<u>9,146,673</u>	<u>639,559</u>	<u>32,021,297</u>	<u>28,847,585</u>

Other operating expenses include:

	<b>Year ended 31 July 2017</b>	<b>Year ended 31 July 2016</b>
External auditor's remuneration for auditing of the financial statements	25,800	26,985
External auditor's remuneration for other services	30,180	-
Payments under operating leases in respect of equipment	199,818	204,213
	<u>255,798</u>	<u>232,203</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2017

**9. TANGIBLE FIXED ASSETS**

	<b>Assets in the course of construction</b>	<b>Freehold land and buildings</b>	<b>Furniture, equipment, fixtures and fittings</b>	<b>Motor vehicles</b>	<b>Total</b>
	£	£	£	£	£
<b>Cost/valuation</b>					
At 1 August 2016 at cost	7,937,729	30,961,320	6,925,461	46,116	45,870,626
At 1 August 2016 at valuation	-	12,355,612	-	-	12,355,612
Additions during the year	4,653,914	2,563,187	1,522,815	-	8,739,916
Completed during the year	(7,407,717)	7,407,717	-	-	-
Disposals during the year	-	-	(416,460)	-	(416,460)
	<u>5,183,926</u>	<u>53,287,836</u>	<u>8,031,816</u>	<u>46,116</u>	<u>66,549,694</u>
At 31 July 2017	5,183,926	53,287,836	8,031,816	46,116	66,549,694
At cost	5,183,926	40,932,224	8,031,816	46,116	54,194,082
At valuation	-	12,355,612	-	-	12,355,612
	<u>5,183,926</u>	<u>53,287,836</u>	<u>8,031,816</u>	<u>46,116</u>	<u>66,549,694</u>
At 31 July 2017	5,183,926	53,287,836	8,031,816	46,116	66,549,694
<b>Accumulated depreciation</b>					
At 1 August 2016	-	17,271,363	4,390,251	31,031	21,692,645
Charge for the year	-	1,626,180	1,007,114	7,543	2,640,837
Disposals	-	-	(393,218)	-	(393,218)
	<u>-</u>	<u>18,897,543</u>	<u>5,004,147</u>	<u>38,574</u>	<u>23,940,264</u>
At 31 July 2017	-	18,897,543	5,004,147	38,574	23,940,264
<b>Net book value</b>					
At 31 July 2017	<u>5,183,926</u>	<u>34,390,293</u>	<u>3,027,669</u>	<u>7,542</u>	<u>42,609,430</u>
At 31 July 2016	<u>7,937,729</u>	<u>26,045,569</u>	<u>2,535,210</u>	<u>15,085</u>	<u>36,533,593</u>

**Land and Buildings**

The transitional rules set out in FRS 15 Tangible Fixed Assets were applied on implementing FRS 15. Accordingly, the book values at implementation were retained. Land and buildings were last valued in 1995 at depreciated replacement cost by a firm of independent chartered surveyors at the valuation as shown above. This treatment has been continued during the transition to FRS 102.

A legal agreement was signed between the University and the HEFCE that valued the exchequer interest in the University. This value is adjusted by HEFCE each year by the writing off over 10 years of the existing exchequer interest, the addition of any new interest, and the writing off of that new interest over 15 years. The exchequer interest may crystallise for repayment, but only in unusual circumstances such as insolvency of the University or significant downsizing (by at least 50 per cent). As at 31 July 2017, the value of the exchequer interest in the University was £2,011,980 (2016: £1,971,250).

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2017**10. TRADE AND OTHER RECEIVABLES**

	<b>31 July 2017</b>	<b>31 July 2016</b>
	£	£
<b>Amounts falling due within one year:</b>		
Trade debtors	449,343	236,192
Amounts due from funding councils	-	29,300
Prepayments and accrued income	1,031,796	760,186
	<u>1,481,139</u>	<u>1,025,678</u>

**11. INVESTMENTS**

	<b>31 July 2017</b>	<b>31 July 2016</b>
	£	£
Deposits maturing:		
In one year or less	824	4,512,592
	<u>824</u>	<u>4,512,592</u>

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

	<b>31 July 2017</b>	<b>31 July 2016</b>
	£	£
Trade creditors	1,408,324	388,080
Bank loan repayable in less than one year	200,000	200,000
Payments received in advance	12,342	132,995
Social security and other taxation payable	440,868	367,910
Pensions and similar obligations	303,904	275,040
Deferred capital grants	218,781	190,298
Accruals and other deferred income	1,818,352	1,790,794
Amounts owing to funding councils	405,231	208,971
	<u>4,807,802</u>	<u>3,554,088</u>

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

	<b>31 July 2017</b>	<b>31 July 2016</b>
	£	£
Bank loan	3,200,000	3,400,000
Deferred capital grants	3,464,237	3,427,788
Revolving Green Fund long term loan	50,000	50,000
	<u>6,714,237</u>	<u>6,877,788</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2017

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

The bank loan is repayable as follows:	<b>31 July 2017</b>	<b>31 July 2016</b>
	£	£
Due within one year	200,000	200,000
Due between one and two years	200,000	200,000
Due between two and five years	600,000	600,000
Due in five years or more	2,400,000	2,600,000
	<u>3,200,000</u>	<u>3,400,000</u>
Due after more than one year	<u>3,200,000</u>	<u>3,400,000</u>
	<u>3,400,000</u>	<u>3,600,000</u>
Total bank loans	<u>3,400,000</u>	<u>3,600,000</u>

All bank loans are unsecured.

The bank loan is a 25 year term loan split into four equal portions, each with a fixed interest rate period of between 5 years and 20 years before reverting to a floating rate. Repayments are by quarterly instalments which commenced August 2014. A quarter of the loan has now reverted to the floating rate of 1.7% above LIBOR, with three quarters of the loan remaining on the fixed interest rate of 7.27%. Interest is payable on a quarterly basis.

The Revolving Green Fund loan is a long term grant from HEFCE / Salix Finance to invest in energy efficiency and carbon management projects. Savings generated from these projects are reinvested back into this ring fenced fund to help resource other projects. It is repayable only once reinvestment ceases. It is considered that there are sufficient projects in which to reinvest the funds for at least one year from the balance sheet date.

**14. PROVISIONS FOR PENSIONS**

	<b>Defined benefit provision under FRS102</b>	<b>Pension enhancement</b>	<b>Total</b>
	£	£	£
At 1 August 2016	14,314,000	556,340	14,870,340
Utilised in year	-	(46,272)	(46,272)
Transfer from income and expenditure account	-	14,465	14,465
Current service cost in excess of contributions	935,000	-	935,000
Additional capital contribution	(70,000)	-	(70,000)
Net interest on liabilities	330,000	-	330,000
Actuarial gain	(4,983,000)	-	(4,983,000)
	<u>10,526,000</u>	<u>524,533</u>	<u>11,050,533</u>
At 31 July 2017	<u>10,526,000</u>	<u>524,533</u>	<u>11,050,533</u>

The pension enhancement provision relates to pension enhancements which the University has awarded to former staff members. The provision will be utilised over the period to which these individuals are entitled to their pensions, which is estimated to be over the next 25 years.

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2017**15. ENDOWMENT RESERVES**

	<b>Restricted permanent endowments</b>	<b>Expendable Endowments</b>	<b>2017 Total</b>	<b>2016 Total</b>
	£	£	£	£
<b>Balances at 1 August</b>				
Capital	318	6,272	6,590	7,040
New endowments	-	-	-	-
Investment income	-	-	-	-
Expenditure	-	-	-	(450)
	-	-	-	(450)
<b>At 31 July</b>	318	6,272	6,590	6,590
<b>Represented by</b>				
Cash	318	6,272	6,590	6,590
<b>Analysis by type of purpose</b>				
Scholarships and bursaries	318	4,965	5,283	5,283
Prize funds	-	1,307	1,307	1,307
	318	6,272	6,590	7,040

**16. REVALUATION RESERVE**

	<b>2017</b>	<b>2016</b>
	£	£
<b>At 1 August</b>	5,840,791	6,065,154
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets	(224,363)	(224,363)
<b>At 31 July</b>	5,616,428	5,840,791

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2017

**17. ANALYSIS OF CHANGES IN NET FUNDS AND RECONCILIATION OF CASH FLOW TO STATEMENT OF FINANCIAL POSITION**

	At 31 July 2016 £	Cash flows £	At 31 July 2017 £
Cash at bank and in hand	2,708,821	870,570	3,579,391
Current asset investments	4,512,592	(4,511,768)	824
Total short term funds	7,221,413	(3,641,198)	3,580,215
Debts due within one year	(200,000)	-	(200,000)
Debts due after one year	(3,400,000)	200,000	(3,200,000)
<b>Total</b>	<u>3,621,413</u>	<u>(3,441,198)</u>	<u>180,215</u>

**18. LEASE OBLIGATIONS**

	31 July 2017 £	31 July 2016 £
Rentals payable under operating leases		
Future minimum lease payments due:		
Due within one year	87,317	92,381
Due between two and five years	174,634	92,381
Due in five years or more	-	-
<b>Total lease payments due</b>	<u>261,951</u>	<u>184,762</u>

**19. CAPITAL COMMITMENTS**

Provision has not been made for the following capital commitments:

	31 July 2017 £	31 July 2016 £
Commitments contracted for	<u>37,427</u>	<u>6,413,471</u>

This represents commitments entered into by 31 July for expenditure as part of the following year's capital programme.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2017

**20. PENSION SCHEMES**

The two pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) for academic staff and the Local Government Pension Scheme administered by the West Yorkshire Pension Fund (WYPF) for support staff.

The total pension cost for the University was:

	<b>Year ended 31 July 2017</b>	<b>Year ended 31 July 2016</b>
	<b>£</b>	<b>£</b>
Contributions to TPS	1,166,995	1,042,636
Contributions to WYPF	1,083,162	972,640
	<u>2,250,157</u>	<u>2,015,276</u>
Pension enhancements costs	35,722	36,922
Current service cost in excess of contributions	935,000	515,000
Net interest on pension liabilities	330,000	282,000
	<u>3,550,879</u>	<u>2,849,198</u>

**Teachers' Pension Scheme**

TPS is valued not less than every four years by the Government Actuary. Contributions are paid by the University at the rate specified. The Scheme is unfunded and contributions are made to the Exchequer. The payments from the Scheme are made from funds voted by Parliament. The contribution rate payable by the employer is currently 16.4% of pensionable salaries.

Under the definitions set out in Financial Reporting Standard 102 (FRS 102), the TPS is a multi-employer defined benefit pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme due to the nature of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted for its contributions as if it were a defined contribution scheme. The University is not liable for any obligations other than the regular contributions.

The estimate for the contribution to the TPS for the 2017/18 year is c.£1m.

**West Yorkshire Pension Fund**

WYPF is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the WYPF actuary reviews the progress of the WYPF scheme.

For WYPF, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the WYPF Regulations. Following the 2016 valuation, the contribution payable by the employer from April 2017 increased from 15.7% to 17.7% of pensionable salaries. As from April 2017, the University also started paying an additional capital contribution in the amount of £70k per annum.

Under the definitions set out in FRS 102, the WYPF is a multi-employer defined benefit pension scheme. In the case of the WYPF, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2017.

The pension scheme assets are held in a separate Trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the Scheme after consultation with professional advisers.

The FRS102 disclosures below relate only to the University's pension costs in respect of the WYPF.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2017

**20. PENSION SCHEMES (continued)**

The material assumptions used by the actuary for FRS102 at 31 July 2017 were:

	<b>31 July 2017</b>	<b>31 July 2016</b>
Rate of increase in salaries	3.25%	3.3%
Liability discount rate	2.6%	2.4%
Inflation assumption	2.0%	1.8%

The assumed life expectations on retirement at age 65 are:

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

The asset allocation of the defined benefit scheme is shown below:

<b>Value</b>	<b>31 July 2017 £'000</b>	<b>31 July 2016 £'000</b>
Equities	26,055	22,486
Property	1,491	1,437
Government Bonds	3,287	3,353
Other Bonds	1,321	1,257
Cash/liquidity	576	419
Other	1,152	990
Total	<u>33,882</u>	<u>29,942</u>

The following amounts at 31 July 2017 were measured in accordance with the requirements of FRS102.

<b>Analysis of the amount shown in the balance sheet</b>	<b>31 July 2017 £'000</b>	<b>31 July 2016 £'000</b>
The University's estimated asset share	33,882	29,942
Present value of the University's Scheme liabilities	(44,408)	(44,256)
Deficit in the Scheme - Net pension liability	<u>(10,526)</u>	<u>(14,314)</u>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2017

**20. PENSION SCHEMES (continued)**

<b>Analysis of the amount charged to staff costs within operating surplus</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	(2,001)	(1,490)
Total operating charge	<u>(2,001)</u>	<u>(1,490)</u>
<b>Analysis of amount that is charged to other finance costs</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Interest income on pension scheme assets	725	934
Interest on pension scheme liabilities	(1,055)	(1,216)
Net charge	<u>(330)</u>	<u>(282)</u>
<b>Analysis of the amount recognisable in the Statement of Comprehensive Income and Expenditure (SOCl)</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Actuarial gain / (loss) recognised in SOCl	4,983	(4,952)
Net gain / (loss)	<u>4,983</u>	<u>(4,952)</u>
<b>Analysis of the movement in the present value of the scheme liabilities</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of year	44,256	34,991
Current service cost	2,001	1,490
Interest cost	1,055	1,216
Contributions by scheme participants	447	426
Actuarial (gains) / losses	(2,344)	7,050
Benefits paid	(1,007)	(917)
At end of year	<u>44,408</u>	<u>44,256</u>
<b>Analysis of the movement in the market value of the scheme assets</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of year	29,942	26,426
Expected rate of return on scheme assets	725	934
Actuarial gains	2,639	2,098
Contribution by employer	1,136	975
Contribution by scheme participants	447	426
Benefits paid	(1,007)	(917)
At end of year	<u>33,882</u>	<u>29,942</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2017

**20. PENSION SCHEMES (continued)****History of experience gains and losses:**

	Year ended 31 July				
	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Funded	(44,329)	(44,198)	(34,929)	(30,251)	(30,445)
Unfunded	(79)	(58)	(62)	(66)	(95)
Fair value of scheme assets	33,882	29,942	26,426	23,571	23,211
Deficit in the scheme	(10,526)	(14,314)	(8,565)	(6,746)	(7,329)
Actuarial gain on scheme assets					
Amount (£'000)	2,639	2,098	1,247	(1,509)	2,251
Percentage of Scheme assets	7.8%	7.0%	4.7%	6.4%	9.7%
Total amount recognised in statement of comprehensive income					
Amount (£'000)	4,983	(4,952)	(1,227)	781	2,126
Percentage of present value of scheme liabilities	11.2%	11.2%	5.2%	2.6%	7.0%

The expected return on assets is determined with regard to various factors impacting each class of asset. The bond return is based on the prevailing return available on bonds. The return on equities, property and other assets is based on a number of factors including the income yield at the measurement date, the long term growth prospects for the economy in general, the long term relationship between each asset class and the bond returns and the movement in the market indices since the previous measurement date.

The actual return on scheme assets in the year was £3,361,000 (2016: £3,032,000).

Defined benefit scheme assets do not include any of the University's own financial instruments, or any property occupied by the University.

The estimate for the contribution for the defined benefit scheme for the year 2017/18 is c.£1m.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2017

**21. RELATED PARTY TRANSACTIONS**

During the year the University's transactions with Yorkshire Universities, a company limited by guarantee in which the University holds a £1 guarantee were as summarised below:

	<b>Year ended 31 July 2017</b>	<b>Year ended 31 July 2016</b>
	£	£
Purchases from Yorkshire Universities	11,413	10,810
	<u>11,413</u>	<u>10,810</u>

The above transactions were undertaken on normal trading terms. At 31 July 2017 the amount owed to Yorkshire Universities was £Nil (2016: £Nil). The results of Yorkshire Universities have not been included in the results of the University.

During the year the University's transactions with Leeds Trinity Students' Union (LTSU) were as summarised below:

	<b>Year ended 31 July 2017</b>	<b>Year ended 31 July 2016</b>
	£	£
Subvention paid to LTSU	186,840	185,000
Supply of casual staff by LTSU	1,772	13,129
Other payments to LTSU	18,530	29,452
	<u>207,142</u>	<u>227,581</u>

At 31 July 2017 the amount owed to LTSU was £100 (2016: £Nil). The results of Leeds Trinity Students' Union have not been included in the results of the University.

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. An annual declaration of interests is made by members of the Board of Governors enabling any transactions to be identified and there were no related party transactions of a material nature during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2017

**22. SIGNIFICANT ACCOUNTING ESTIMATES / JUDGEMENTS**

There are no significant accounting estimates or judgements to disclose with the exception of the actuarial pension assumptions disclosed in note 21.

**23. EVENTS AFTER THE REPORTING PERIOD**

There were no events after the reporting period which would require disclosing.