

**LEEDS TRINITY UNIVERSITY COLLEGE**

**Financial Report and Accounts**

**For the year ended**

**31 July 2010**

**Registered Company Number  
6305220**

**Deloitte LLP  
Leeds**

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DIRECTORS AND ADVISORS

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

Mr Ed Anderson (reappointed to act as Chair 1 December 2009. Also acts as Chair of Governance and Nominations Committee and Remuneration Committee)

Sr. Christine Alderson

Prof Freda Bridge (Principal & Chief Executive)

Mr Ian Burrell

Ms Margaret Coutts

Mr Paul Forbes

Dr Colin Forrest

Mr Stuart Hanlon (resigned 31 December 2009)

Mr Richard Harker

Prof Vivien Jones (appointed 1 August 2010)

Mrs Margaret Kear (retired 27 November 2009)

Mr James Kennedy (appointed 27 November 2009)

Mr Philip King (appointed 1 August 2010)

Mr Stephen Knowles (appointed 1 August 2010)

Mr Will Lifford (Chair, Audit Committee)

Mr Mark Lister

Ms Carolyn Lord

Mrs Olga Matthias (retired 31 July 2010)

Mr John Joe Mulherin (retired 31 July 2010)

Sr. Moya O'Cleary (ex officio Vice Chair-appointed 7 October 2009)

Rt Reverend Arthur Roche (ex officio Chair)

Mr John Scarisbrick (Chair, Finance & Employment Committee)

Mr John Sykes

Mr John Taylor (appointed 1 August 2010)

Professor Kevin Theakston (retired 31 July 2010)

Ms Sarah Trussler

Mr Richard Wilkinson

**Clerk to the Governors and Company Secretary**

Mr Mark Shields

**Auditors**

Deloitte LLP  
1 City Square  
Leeds  
LS1 2AL

**Solicitors**

Eversheds LLP  
Bridgewater Place  
Water lane  
Leeds  
LS11 5DR

**Registered Office**

Leeds Trinity University College  
Brownberrie Lane  
Leeds  
LS18 5HD

**Company and Charity Numbers**

Registered Company Number 6305220

Registered Charity Number 1120102

## DIRECTORS' REPORT AND OPERATING & FINANCIAL REVIEW

The Governors present their annual operating and financial review (OFR) and the audited financial statements for the year ended 31 July 2010. The financial statements comprise the results for the year for the University College. It has no subsidiaries. The names of the persons who were directors during the period are given in the Directors and Advisors section of the Financial Report and Accounts.

The OFR has been prepared solely to provide additional information to funders, financial supporters and other stakeholders to assess the University College's strategies and the potential for those strategies to succeed, and should not be used for any other purpose. The OFR 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.

The Governors, in preparing this OFR, have sought to comply with the guidance set out in the Accounting Standard Board's 2006 Reporting Statement on OFRs.

### **Nature of the University College**

Leeds Trinity University College ("Leeds Trinity" or the "University College") is an autonomous, teaching-led and research-informed institution, inspired by Catholic values, providing higher education. The University College is based in Horsforth, Leeds and has some 3,000 students.

It is a company limited by guarantee and was incorporated on 1 August 2007 under the Companies Act. As a Catholic foundation established in 1966, the institution operated under a Trust Deed until its incorporation. It is governed by its Memorandum and Articles of Association, which set out its objectives as a higher education institution. The University College is also a registered charity under the Charities Act 1993.

The University College was awarded Taught Degree Awarding Powers (TDAP) by the Privy Council in July 2009. This allows Leeds Trinity to award its own taught degrees rather than have them accredited by the University of Leeds as at present. Leeds Trinity will continue to work with the University of Leeds for research degrees. The new status will allow Leeds Trinity more independence, a quicker response to local and regional priorities, easier international recognition and an enhanced ability to form educational partnerships. Postgraduate students starting in September 2010 and undergraduate students starting in September 2011 will be the first to enrol for awards made by Leeds Trinity University College. With the approval of the Privy Council, the University College changed its name from Leeds Trinity & All Saints to Leeds Trinity University College on 28 October 2009 in order to reflect its new status.

### **Competitive and regulatory environment**

Leeds Trinity is relatively small compared to other higher education institutions in the region. This makes it attractive to students who wish to study in a more personal and supportive environment. The majority of the higher education provision is professionally focussed and vocationally orientated. As a result the University College has a tradition of high levels of graduate employment.

A significant proportion of the University College's income (49.7% of total income) comes from the Higher Education Funding Council for England (HEFCE) and the Training and Development Agency for Schools (TDA). The financial memoranda between the HEFCE and the University College and between the TDA and the University College set out the terms and conditions on which grants are made. The Board of Governors is responsible for ensuring that conditions of grants are met and, as part of this process, the University College must adhere to the HEFCE Audit and Accountability Code of Practice which is included within the HEFCE Financial Memorandum.

A further significant contribution to the University College's income (35.7%) comes from tuition fees. Government legislation allowed higher education institutions to charge higher tuition fees for new students commencing in 2006/7. Cohorts of new students paid higher fees from 2006/7 to 2008/9 but at a level lower than the maximum permitted variable fee used by most competitors. The fee was increased to the maximum with effect from the 2009/10 cohort. Following the report of the Browne review in October 2010 it is anticipated that further changes in respect of tuition fees will be introduced by the government for implementation in the near future.

DIRECTORS' REPORT AND OPERATING & FINANCIAL REVIEW (CONTINUED)

**Objectives and strategies**

The University College's Strategic Plan 2007-12 was revised by the Board of Governors in November 2009 following a mid-period review.

**Strategic Aims**

- To offer an excellent student experience.
- To ensure long term sustainability.

To achieve these aims a number of key objectives have been identified which have financial implications for the University College:

**Key Objectives with Financial Implications**

- To provide efficient and effective support services and resources that meet individual student needs throughout the student journey.
- To implement a campus development programme in support of the student experience.
- To increase income from non-funding council sources.
- To ensure that all individual units are providing value for money.

Leeds Trinity wishes to increase its student numbers in a sustainable way to support the attainment of university title. The granting of TDAP has been significant as it aims to do this in an increasingly competitive market made more challenging by a forthcoming down turn in demographics of young people. Sustainable growth is a key element of the financial strategy.

**Charitable Purposes**

All charities must have aims that are for the public benefit, the University College's being for the advancement of education. It does this through the teaching of a diverse curriculum and by educating a broad range of students. It encourages personal development in all staff and students and promotes this within Leeds Trinity and the wider community.

In setting objectives and planning activities the Board of Governors has given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary guidance on advancing education and on fee charging. It is important to Leeds Trinity that access to the 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.

Leeds Trinity's access agreement, covering the fees charged and bursaries available to students has been approved by the Office for Fair Access (OFFA) and is available to view on the institution's web site. The objectives of the agreement build on existing work and are as follows:

**Objectives of the Access Agreement**

- Develop and sustain appropriate partnerships with schools, colleges, employers, local authorities and other bodies in order to support aspiration raising and access to higher education.
- Further extend outreach activities focussing on low socio-economic areas.
- Provide enhanced support, particularly for new arrivals, for students from under-represented groups to enhance retention and, ultimately, achievement
- Improve access to clear and direct information assuming no prior knowledge of the HE sector.
- Establish mechanisms for robust data collection and analysis to provide evidential base for success in widening participation activities.

## DIRECTORS' REPORT AND OPERATING &amp; FINANCIAL REVIEW (CONTINUED)

Students paying less than the maximum permitted variable fee will continue to be eligible for a University College bursary amounting to an additional 10% of the maintenance grant they receive. New full time undergraduate students paying the maximum fee and receiving the full maintenance grant will be eligible for a University College bursary of £1,000, with students receiving a part maintenance grant eligible for a bursary of £500. Postgraduate Certificate of Education (PGCE) students will continue to be eligible for the statutory minimum bursary.

In 2009/10 the value of the bursaries paid by Leeds Trinity totalled £666,000.

The University College 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.

**Financial Performance**

Financial performance for the year ended 31 July 2010, together with the corresponding figures for the previous year, is summarised in the financial highlights shown below

<b>Financial Highlights</b>			
	2010	2009	Change
	£000s	£000s	%
Funding body grants	10,597	9,936	6.7
Tuition fees and education contracts	7,620	6,552	16.3
Research grants and contracts	32	46	(30.4)
Other income	3,090	3,393	(8.9)
Endowment and investment income	3	37	(91.9)
<b>Total income</b>	<b>21,342</b>	<b>19,964</b>	<b>6.9</b>
Total expenditure	(20,898)	(20,206)	3.4
<b>Surplus/(deficit) for year excluding exceptional item</b>	<b>444</b>	<b>(242)</b>	<b>283.5</b>
<b>Exceptional item</b>	<b>-</b>	<b>(460)</b>	<b>100.0</b>
<b>Surplus/(deficit) for year</b>	<b>444</b>	<b>(702)</b>	<b>163.2</b>
<b>Historical cost surplus for the year</b>	<b>669</b>	<b>132</b>	<b>406.8</b>
<b>Historical cost surplus for year excluding FRS17 items</b>	<b>1,523</b>	<b>757</b>	<b>101.2</b>
Net cash inflow from operating activities	2,564	1,815	41.3
Net return on investments	(55)	37	(248.6)
<b>Net cash flow before capital expenditure and financial investment</b>	<b>2,509</b>	<b>1,852</b>	<b>35.5</b>
<b>Capital expenditure and financial investment</b>	<b>(6,387)</b>	<b>(885)</b>	<b>621.7</b>
<b>Financing cash flow</b>	<b>3,000</b>	<b>-</b>	<b>-</b>
Fixed assets	30,511	23,606	29.3
Endowment asset investments	31	33	(6.1)
Net current (liabilities)/assets	(440)	758	(158.0)
<b>Total assets less current liabilities</b>	<b>30,102</b>	<b>24,397</b>	<b>23.4</b>
<b>Net assets including pension liability</b>	<b>18,097</b>	<b>14,175</b>	<b>27.7</b>

## DIRECTORS' REPORT AND OPERATING &amp; FINANCIAL REVIEW (CONTINUED)

Total income increased by 6.9% to £21,342,000 with the main elements being tuition fees (35.7% of total income, which increased by 16.3% compared to the prior year, representing 5.3% of the 6.9% increase in total income) and funding income (49.7% of total income, which increased by 6.7% compared to the prior year). Tuition fee income increased as the first cohort of students became liable for the maximum tuition fee. Other income was down due to a reduced hall of residence capacity during construction of a new hall, whilst income from investments was reduced as Leeds Trinity continued its investment in major capital projects.

Expenditure increased by 3.4% to £20,898,000. Staffing costs increased by 3.4% (due primarily to pay rises and grade progression), other operating expenses by 5.6% (mainly due to increased bursaries) and depreciation reduced by 9.3% (due to the prior year figure being inflated by an impairment charge of £118,000).

A large element of the increase in net assets resulted from a one-off reduction in the pension deficit as reported under Financial Reporting Standard 17 (Retirement Benefits). This related to the impact on the Local Government Pension Scheme (LGPS) of the government's announcement that future pension increases will be tied to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The reduction amounted to £2,175,000. This has been treated as a change in assumptions and has therefore been reported through the Statement of Total Recognised Gains and Losses (STRGL).

The financing cash flow represents a bank loan to finance capital investment and is discussed in the Long Term Financing section below.

**Key Performance Indicators**

The University College identifies a number of key performance indicators (KPIs) which enable the Board of Governors to plan and monitor progress, and to which the Executive Team are expected to manage. They have been selected as they measure movement in some of the key areas of the University College's performance.

<b>Key Performance Indicators</b>			
	Target	2009/10	2008/9
Surplus on an historic cost basis, excluding FRS17 items, as a % of income	2-6%	7.1%	3.8%
Ratio of pay costs to total income	<65%	60.1%	62.1%
Current asset to current liability ratio	>1.28:1	0.84:1	1.30:1
Total student FTEs	Increase	2,678	2,600

The target surplus based on historic cost excluding FRS17 items has been chosen by the Governors because it is one of the main criteria used by the HEFCE for judging financial performance. The bank also excludes the FRS17 items when considering performance against the financial covenants associated with the loan facility. FRS17 items totalled £854,000 in 2009/10 (2008/09: £625,000) giving an adjusted historic cost surplus of £1,523,000 (2008/09: £757,000).

The ratio of pay costs to total income is used to ensure that there is a correct balance between staffing and other costs. Staffing costs historically have increased at a faster rate than other costs and the ratio will therefore be kept under review to ensure that the correct balance is maintained.

In July 2010 the Governors approved revisions to these two KPIs and the inclusion of an additional KPI in order to aim for an improved level of financial performance. The target for surplus on a historic cost basis excluding FRS17 items was increased to be 5-10% of income in future. An additional KPI to monitor historic cost surplus as reported in these accounts (i.e. including FRS17 items) was set with a target of 2%+ of income. The target for the ratio of pay costs to total income was revised to be <58% in future. The Governors believe that these more challenging targets will provide an improved basis for the long term financial sustainability of Leeds Trinity.

The target current ratio has been based on the sector mean. In a time of heavy capital investment, it is important that adequate, but not excessive, liquidity is maintained. During the period to May 2012 (the period the rolling credit facility is available to Leeds Trinity) the Governors have agreed that best value can be obtained by allowing the current ratio to fall below the target. This is further discussed in the treasury management section of this report.

### **Looking Forward**

The cap on recruitment since 2009 has meant that ambitions for growth have been reduced. However, there is still a commitment to growth in student numbers in order to assist future sustainability and to be able to gain full University status. Other ways of increasing student numbers are being explored, for example through international recruitment.

The outcomes of the Browne Review and the government's Comprehensive Spending Review in October 2010 both indicate substantial cuts in future public funding for Higher Education, including for Leeds Trinity the possible loss of the entire core teaching grant from HEFCE, and a significant increase in tuition fees. The impact of future changes in Initial Teacher Education is still not known but it is probable that there will also be cuts to this area which is a significant part of our provision. The Governors and Executive Team are considering the possible implications of these changes for future financial forecasts and are developing strategies to respond to these challenges (see Going Concern).

The midterm review of the Strategic Plan during 2009/10 updated the strategic aims and key objectives to focus on the student experience and financial sustainability in order to meet these expected future challenges

To assist in achieving the sustainable growth in student numbers, Leeds Trinity has identified two significant areas in recent years in which increased expenditure should have an influence on the numbers being attracted to and retained by the University College.

Firstly, the institution will continue to build on the agreed marketing strategy to raise the profile of the institution and the number of students recruited. A substantial increase in the recurrent marketing budget was approved by the Board of Governors in March 2008 and this has resulted in significantly increased applications and acceptances of places offered.

The second area of expenditure relates to the development of the estate. The current phase of the Estate Strategy agreed by the Board of Governors, which includes the building of a new hall of residence and the completion of the refurbishment of the main building, was substantially complete by the start of the 2010/11 academic year. It will have a substantial impact on the quality of the student experience and hence assist with student recruitment and retention. It will also deliver significant benefits in terms of savings on energy costs and carbon reduction.

### **Long Term Financing & Treasury Management**

To fund the Estate Strategy, the Board of Governors signed a loan facility during 2008/09 with its preferred funder for up to £6m. The loan was first utilised during 2009/10 and £3m was drawn down in July 2010 in three tranches, each for a different fixed repayment period. A further £1m will be drawn down for a fixed repayment period in May 2011. The total sum is available for drawdown until May 2012 (the rolling credit facility period) and is subject to the provision of agreed financial information and a number of covenants. Repayment of the borrowing will commence in August 2014 with the final payment currently expected to be in May 2034.

Leeds Trinity Treasury Management Policy requires the preparation of an annual Treasury Management Strategy that includes forecasts of surplus funds, proposals for investing those funds, and proposals for funding the capital programme. The levels of surplus cash will continue to be reduced during the period of increased capital spend but the Governors are confident that appropriate cash balances will continue to be maintained throughout this period and will increase again from 2011/12 onwards.

On 8 October 2008 Kaupthing Singer & Friedlander was placed into administration. Leeds Trinity had £438k invested in the bank at this time. During 2008/09 a dividend payment of 20p in the £ was received and it was decided to recognise an impairment of £175k (amounting to 40p in the £) making the assumption that the remaining 40p in the £ will be recovered. During 2009/10 further distributions have been received amounting to 25p in the £. The creditor progress report issued by the administrators, Ernst and Young, dated 27 April 2010 outlined that the eventual return to creditors was projected to be within a range of 65p to 78p in the £. This cannot be taken as guaranteed however, and consequently the impairment has not been reduced at this point in time.

DIRECTORS' REPORT AND OPERATING & FINANCIAL REVIEW (CONTINUED)

**Academic Standards & Quality**

The University College ensures that the highest academic standards are maintained. In 2009/10, these standards were affirmed by

- a set of positive reports from external examiners
- a successful outcome of the annual review of the accreditation agreement by its validating body, the University of Leeds
- a successful outcome of the Ofsted inspection of Initial Teacher Education both Primary and Secondary

Internally the assurance of Academic Standards is the responsibility of the Academic Board. The Annual Review Report on Quality and Standards was considered by the Academic Board in March 2010. The report, which was welcomed by the Academic Board as a valuable summary, concluded that quality assurance processes were appropriate. The report proposed a number of actions to further enhance quality and standards and these were approved by the Academic Board.

Five postgraduate and four undergraduate programmes are accredited by external professional bodies. A new postgraduate journalism course secured accreditation and an existing course re-accreditation from the National Council for the Training of Journalists (NCTJ) during 2009/10 and the Public Communications programme achieved recognition by the Chartered Institute of Public Relations (CIPR).

**Risk Management**

The HEFCE Accounts Directive requires that the University College 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.

Leeds Trinity reviews its risks on a regular basis and updates its Corporate Risk Register which identifies the main risks facing the University College, together with their likelihood and significance. 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 the ability to achieve planned student numbers in an increasingly competitive market and the likelihood of real term reductions in funding. Leeds Trinity is mitigating these risks through the major strategic items identified in this review, namely the increase in marketing expenditure, and the focus on academic quality and the provision of a first class student experience, together with the major upgrade of the campus and its facilities.

**Going Concern**

The University College'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 Looking Forward section. The financial position of the University College, its cash flows, liquidity position, borrowing facilities and banking covenants are described in the Financial Performance and Long Term Financing & Treasury Management sections and in more detail within the Statement of Principal Accounting Policies and Notes to the Accounts.

As a consequence, the Board of Governors believes that the University College is well placed to manage its risks successfully despite the current uncertainty around university funding. Consideration has been given to the outcomes of the Browne review and the Comprehensive Spending Review and their impact has been considered. The current forecasts and projections show that the University College 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 College 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 Accounts.

### **Employment Policy**

The University College 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.

A major review of pay and grading structures within a national pay framework was completed in 2006. This agreement is designed to modernise pay structures to support the recruitment and retention of staff and to ensure equal pay for work of equal value.

### **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 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 the Executive Team and by the Finance & Employment Committee.

The President of the Students' Union is an ex-officio member of the Board of Governors and the Academic Board. Students are also represented on Faculty committees, and their views are sought through various student surveys.

### **Equal Opportunities**

The University College 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 College 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.

### **Conclusion**

The Governors feel that the University College has a sound base from which to meet likely considerable challenges that will face the higher education sector over the short to medium term.

The Governors are confident that the University College, through sustainable investment in the future and very careful management of the risks, has the necessary plans and strategies in place to ensure that the targets set for the coming years can be achieved.


DIRECTORS' REPORT AND OPERATING & FINANCIAL REVIEW (CONTINUED)

**Auditors**

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 auditors are 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 auditors are aware of that information.

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

A handwritten signature in black ink, appearing to read 'EJS Anderson', written over a horizontal line.

Mr E Anderson

On behalf of the Board of Governors and Board of Directors

29 November 2010

## RESPONSIBILITIES OF THE BOARD OF GOVERNORS

In accordance with the Articles of Association, the Board of Governors of Leeds Trinity University College is responsible for the administration and management of the affairs of the University College 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 College's transactions and disclose with reasonable accuracy at any time, the financial position of the University College 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 Financial Memorandum agreed between the Higher Education Funding Council for England and the Board of Governors of Leeds Trinity University College, 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 College 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 College and of the surplus or deficit of the University College 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 College 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 Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that funds from the Training and Development Agency are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Training and Development Agency and any other conditions which the Training and Development Agency 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 College and prevent and detect fraud; and
- secure the economical, efficient and effective management of the University College's resources and expenditure.

The key elements of the University College'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 academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and termly 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 Employment Committee and Board of Governors; and
- a professional Internal Audit team whose annual programme is 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 College and an opinion on the adequacy and effectiveness of the University College'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 financial memorandum with the Higher Education Funding Council for England. 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 2010 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 Team 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.
- The Audit Committee receives regular reports from the head of internal audit, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement.
- Risk management training has been held throughout the institution.
- A robust risk prioritisation methodology based on likelihood and significance has been established.
- An organisation wide risk register is maintained and reviewed periodically.

The University College 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, 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 College 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.

## 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 College.

Leeds Trinity University College is a company limited by guarantee, formally established on 1 August 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 College state:

‘The objects of Leeds Trinity University College 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 current plan commits the institution to achieving sustainable growth in its student numbers and significant investment in the estate. A midterm review of the Strategic Plan took place during 2009/10.

The Articles of Association require the University College 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 lay members, together with staff and students of the University College, 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 direction and management of Leeds Trinity University College; its specific powers and responsibilities are set out in the Articles of Association and in the Financial Memorandum with the Higher Education Funding Council for England (HEFCE). The Chair of the Board of Governors is separate from the role of the Principal and Chief Executive. The Roman Catholic Bishop of Leeds, who is ex-officio Chair of the Board of Governors, made use of the provision in the Articles of Association to nominate another member to act as Chair of the Board from 1 December 2007 for an initial period of 2 years. Following consideration of a recommendation made by the ex officio Chair, the Board agreed to re-appoint the nominated Chair for a further period up to July 2013. It also agreed to the post holder continuing as the nominated Chair for the same period.

### **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 College. The Principal chairs the Academic Board, which comprises ex-officio and elected staff and students.

### **The Principal**

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

GOVERNORS' STATEMENT ON CORPORATE GOVERNANCE

**The Secretary and Clerk to the Governors**

The Clerk to the Governors is appointed by the Board of Governors under the Articles of Association to act as Secretary 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.

**The Structure of Governance**

Leeds Trinity University College 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 Chairmen (CUC) and from the corporate sector. The University College 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. The Board has in place a Statement of Primary Responsibilities.

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

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

The Board receives regular reports from the Principal and other senior officers on the work of the University College. In line with good practice and CUC guidance, the Board conducts rigorous reviews of its effectiveness, and of the effectiveness of the University College's structure of corporate and academic governance. These reviews include the use of independent external expertise. The most recent such review took place in late 2009. All the recommendations arising from that review have been considered and implemented by the Board.

The University College 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 Board of Governors meets at least three times each year with a further 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 lay members of the Board and in some cases staff and students. Following the recent effectiveness review of governance, the terms of reference and working arrangements of the principal committees have been reviewed. The standing committees are as follows:

- Audit Committee
- Finance and Employment Committee
- Governance and Nominations Committee
- Remuneration Committee
- Health and Safety Sub-Committee
- Estate and Facilities Sub-Committee

There is also a Disciplinary Committee, which is responsible, as necessary, for matters of staff and student discipline. 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. The Audit Committee also provides an annual report, which is submitted to the HEFCE.

STATEMENT OF PRIMARY RESPONSIBILITIES

- 1 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.
- 2 The Board of Governors shall be responsible for:
  - a) the determination of the educational and Roman Catholic character and objectives of Leeds Trinity and for the supervision of its activities;
  - b) ensuring compliance with the statutes, ordinances and provisions regulating Leeds Trinity and its framework of governance;
  - c) approving the mission and strategic vision of Leeds Trinity;
  - d) approving development plans and formulating policy, long-term business plans, monitoring institutional performance against plans (including the use of key performance indicators) and ensuring that these meet the interests of stakeholders;
  - e) ensuring that arrangements exist to provide the best possible experience for students;
  - f) the effective and efficient use of resources, the solvency of Leeds Trinity and for safeguarding its assets;
  - g) approving annual estimates of income and expenditure;
  - h) the employment of all staff and the oversight of the management of Leeds Trinity;
  - i) the determination of the Senior Posts save that the Principal shall always be a Senior Postholder;
  - j) the appointment, appraisal, discipline, suspension and dismissal and the determination of the grading, pay and conditions of service of the holders of Senior Posts and the Clerk;
  - k) the determination of the policy for pay and general conditions of employment of the Staff who are not Senior Post-holders;
  - l) ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, clear procedures for handling internal grievances and for managing conflicts of interest;
  - m) the appointment of Auditors; and
  - n) the occupation of the premises.
- 3 This Statement shall be published widely, including on the internet and in the annual report, along with identification of key individuals (that is, chair, deputy chair, head of the institution, and chairs of key committees).
- 4 The description of the responsibilities that the governing body delegates to the Principal and Chief Executive is that outlined in Article 9 of the Articles of Association.

## **INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF LEEDS TRINITY UNIVERSITY COLLEGE**

We have audited the financial statements of Leeds Trinity University College for the year ended 31 July 2010 which comprise the income and expenditure account, the statement of historical cost surpluses and deficits, the statement of total recognised gains and losses, the balance sheet, the cash flow statement, the statement of principal accounting policies and the related notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Board of Governors of the University College, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Financial Memorandum dated June 2008. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board and the Board'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 auditors**

The Board of Governors' responsibilities for preparing the Annual Report and the financial statements in accordance with the University College's statute, the Statement of Recommended Practice on Accounting for Further and Higher Education and other applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the statement of the Board of Governors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Directors' Report and Operating & Financial Review is consistent with the financial statements. We also report whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University College have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the Training and Development Agency for Schools

In addition, we report to you if, in our opinion, the University College has not kept adequate accounting records, if we have not received all the information and explanations we require for our audit, or if disclosures of governors' remuneration specified by law are not made.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report. We are not required to consider whether the statement of internal control covers all risks and controls or to form an opinion on the effectiveness of the University College's corporate governance procedures or its risk and control procedures.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the University College's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF LEEDS TRINITY UNIVERSITY COLLEGE (CONTINUED)**

**Opinion**

In our opinion:

- (a) the financial statements give a true and fair view of the state of affairs of the University College as at 31 July 2010 and of the surplus of the University College for the year then ended;
- (b) the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions;
- (c) the financial statements have been prepared in accordance with the Companies Act 2006;
- (d) in all material respects income from the Higher Education Funding Council for England, the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University College have been applied only for the purposes for which they were received;
- (e) in all material respects income during the year ended 31 July 2010 has been applied in accordance with the University College's statutes and, where appropriate, with the Financial Memorandum, dated June 2008 with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools; and
- (f) the information given in the Board of Governors report is consistent with the financial statements.



Christopher Powell FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Leeds, UK  
**30 November** 2010

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2010

**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 2007 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 accounts 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 College'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 Looking Forward section of the Operating & Financial Review. The financial position of the University College, its cash flows, liquidity position, borrowing facilities and banking covenants are described in the Financial Performance and Long Term Financing & Treasury Management sections and in more detail within the Statement of Principal Accounting Policies and Notes to the Accounts. The University College has considerable financial resources including £3m of undrawn borrowing facilities which are intended to be used to fund the contracted capital commitments.

As a consequence, the Board of Governors believes that the University College is well placed to manage its risks successfully despite the current uncertainty around university funding. Consideration has been given to the outcomes of the Browne review and the Comprehensive Spending Review and their impact has been considered. The current forecasts and projections show that the University College 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 College 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 Accounts.

**3. Basis of consolidation**

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

The University College holds a £1 guarantee in respect of YHUA Ltd ("Yorkshire Universities"), a company limited by guarantee. As the University College 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 income and expenditure account 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.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred for specific purposes. Donations which are to be retained for the benefit of the University College are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by the University College as other income in the income and expenditure account.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 July 2010

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

Non-recurrent grants from the Higher Education Funding Council for England, the Training and Development Agency for Schools 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.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

**5. Agency arrangements**

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

**6. Accounting for retirement benefits**

The University College 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 College. In accordance with FRS17, 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 College is able to identify its share of assets and liabilities and thus the University College fully adopts FRS17 "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 outside the Income and Expenditure Account and presented in the Statement of Total Recognised Gains and Losses.

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. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refund and reductions in future contributions to the scheme.

**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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 July 2010

**7. Land and buildings (continued)**

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.

**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

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. Investments**

Listed investments held as endowment assets are shown at market value as determined by published share prices. Current asset investments, which may include listed investments, are shown at the lower of cost and net realisable value.

**10. Stock**

Stock is stated at the lower of their cost and net realisable value.

**11. Maintenance of premises**

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred. The University College has a planned maintenance programme, which is reviewed on an annual basis.

**12. Taxation status**

The University College is registered under the Charities Act 1993 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 College 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 College 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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 July 2010

**13. Provisions**

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

**14. 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 College's treasury management activities. They exclude any such assets held as endowment asset investments.

**15. Accounting for charitable donations**

Charitable donations are recognised in the accounts 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 College as specified by the donors, these are accounted for as endowments. The University College'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 College can convert the donated sum into income.

## LEEDS TRINITY UNIVERSITY COLLEGE

## INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 July 2010

	Note	Year ended 31 July 2010 £	Year ended 31 July 2009 £
<b>INCOME</b>			
Funding body grants	1	10,597,529	9,936,496
Tuition fees and education contracts	2	7,619,558	6,552,213
Research grants and contracts	3	31,941	46,133
Other income	4	3,090,024	3,393,138
Endowment and investment income	5	3,000	36,564
<b>Total income</b>		<u>21,342,052</u>	<u>19,964,544</u>
<b>EXPENDITURE</b>			
Staff costs	6,8	12,816,019	12,389,171
Other operating expenses	8	6,107,144	5,781,406
Depreciation	8,9	1,430,167	1,576,274
Interest and other finance costs	8	544,402	284,514
Impairment of investment asset	8	-	175,395
<b>Total expenditure</b>	8	<u>20,897,732</u>	<u>20,206,760</u>
<b>Surplus/(deficit) on continuing operations after depreciation of tangible assets at valuation and before exceptional item</b>		444,320	(242,216)
Exceptional item			
Disposal of fixed assets		-	(460,123)
<b>Surplus/(deficit) on continuing operations after depreciation of tangible assets at valuation and exceptional item</b>		444,320	(702,339)
Transfer from accumulated income in endowment funds	17	2,846	5,393
<b>Surplus/(deficit) for the year retained within general reserves</b>	19	<u>447,166</u>	<u>(696,946)</u>

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

LEEDS TRINITY UNIVERSITY COLLEGE

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS  
For the year ended 31 July 2010

	Note	Year ended 31 July 2010 £	Year ended 31 July 2009 £
Surplus/(deficit) on continuing operations after depreciation of tangible assets at valuation and exceptional item		444,320	(702,339)
Difference between historical cost depreciation and the actual charge for the year calculated using the revalued amount	18	225,060	255,808
Realisation of property revaluation on disposal	18	-	460,123
Impairment of revalued fixed asset	18	-	118,000
<b>HISTORICAL COST SURPLUS</b>		<u>669,380</u>	<u>131,592</u>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

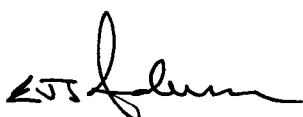
For the year ended 31 July 2010

	Note	Year ended 31 July 2010 £	Year ended 31 July 2009 £
Surplus/(Deficit) for the financial year		447,166	(696,946)
Actuarial loss in respect of pension schemes	30	(68,000)	(2,123,000)
Gain on indexation change for pension schemes	30	2,175,000	-
Transfer from accumulated income in endowment funds	17	(2,846)	(5,393)
New endowments	17	814	700
<b>Total recognised gains/(losses) relating to the year</b>		<u>2,552,134</u>	<u>(2,824,639)</u>
<b>Reconciliation</b>			
Opening reserves and endowments		10,581,302	13,405,941
Total recognised gains/(losses) for the year		<u>2,552,134</u>	<u>(2,824,639)</u>
<b>Closing reserves and endowments</b>		<u>13,133,436</u>	<u>10,581,302</u>

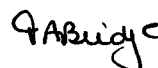
BALANCE SHEET  
31 July 2010

	Note	31 July 2010 £	31 July 2009 £
<b>FIXED ASSETS</b>			
Tangible assets	9	30,510,649	23,605,959
<b>ENDOWMENT ASSETS</b>			
	10	31,420	33,452
<b>CURRENT ASSETS</b>			
Stock		14,443	19,854
Debtors	11	749,194	711,384
Investments	12	65,773	175,396
Cash at bank and in hand		1,569,865	2,337,021
		2,399,275	3,243,655
<b>CREDITORS: amounts falling due within one year</b>	13	(2,838,853)	(2,485,673)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(439,578)	757,982
<b>Total assets less current liabilities</b>		30,102,491	24,397,393
<b>CREDITORS: amounts falling due after more than one year</b>	14	(3,050,000)	(11,415)
<b>Provisions for liabilities</b>	15	(745,656)	(749,309)
<b>Total net assets excluding pension deficit</b>		26,306,835	23,636,669
<b>Pension deficit</b>	30	(8,209,000)	(9,462,000)
<b>TOTAL NET ASSETS</b>		18,097,835	14,174,669
<b>Deferred capital grants</b>	16	4,964,399	3,593,367
<b>Expendable endowments</b>	17	31,420	33,452
		4,995,819	3,626,819
<b>Reserves</b>			
Revaluation reserve	18	7,186,981	7,412,041
Income and expenditure account excluding pension reserve		14,124,035	12,597,809
Pension reserve	30	(8,209,000)	(9,462,000)
Income and expenditure account including pension reserve	19	5,915,035	3,135,809
		13,102,016	10,547,850
<b>TOTAL FUNDS</b>		18,097,835	14,174,669

The financial statements of the University College (registered company number 6305220) on pages 17 to 41 were approved by the Board of Governors on 29 November 2010 and were signed on its behalf by:



Mr E Anderson  
Chair of the Board of Governors



Prof FA Bridge  
Principal and Chief Executive

CASH FLOW STATEMENT  
For the year ended 31 July 2010

	Note	Year ended 31 July 2010 £	Year ended 31 July 2009 £
<b>Net cash inflow from operating activities</b>	20	2,563,952	1,815,610
<b>Returns on investment and servicing of finance</b>	21	(55,479)	36,756
<b>Capital expenditure and financial investment</b>	22	(6,387,284)	(885,270)
<b>Financing</b>	23	3,000,000	-
Net cash (outflow)/inflow before management of liquid resources		<u>(878,811)</u>	<u>967,096</u>
<b>Management of liquid resources</b>	24	109,623	83,237
<b>(Decrease)/increase in cash in the year</b>	25	<u>(769,188)</u>	<u>1,050,333</u>
<b>Reconciliation of net cash flow to movement in net funds/(debt)</b>			
(Decrease)/increase in cash in the period	25	(769,188)	1,050,333
Cash inflow from decrease in liquid resources	25	(109,623)	(83,237)
Cash inflow from financing	25	(3,000,000)	-
Change in net (debt)/funds from cash flows		<u>(3,878,811)</u>	<u>967,096</u>
Impairment of current asset investment	25	-	(175,395)
Movement in net (debt)/funds in year		<u>(3,878,811)</u>	<u>791,701</u>
Net funds at 1 August		<u>2,545,869</u>	<u>1,754,168</u>
Net (debt)/funds at 31 July		<u>(1,332,942)</u>	<u>2,545,869</u>

NOTES TO THE ACCOUNTS  
For the year ended 31 July 2010

**1. FUNDING BODY GRANTS**

	Year ended 31 July 2010		Year ended 31 July 2009	
	HEFCE £	TDA £	Total £	Total £
Recurrent grant	6,119,335	3,462,060	9,581,395	8,998,534
Specific grants	338,146	314,209	652,355	560,598
Releases of deferred capital grants				
Equipment	24,784	13,531	38,315	68,130
Buildings	325,464	-	325,464	309,234
Total	<u>6,807,729</u>	<u>3,789,800</u>	<u>10,597,529</u>	<u>9,936,496</u>

**2. TUITION FEES AND EDUCATION CONTRACTS**

	31 July 2010 £	31 July 2009 £
Full-time home and EU students	6,356,938	5,203,335
Full-time international students	426,460	632,110
Part-time home and EU students	836,160	696,627
Part-time international students	-	20,141
	<u>7,619,558</u>	<u>6,552,213</u>

**3. RESEARCH GRANTS AND CONTRACTS**

	31 July 2010 £	31 July 2009 £
Charities	31,941	42,370
Other	-	3,763
	<u>31,941</u>	<u>46,133</u>

**4. OTHER INCOME**

	31 July 2010 £	31 July 2009 £
Residences, catering and conferences	2,216,756	2,670,604
Other income	873,268	722,534
	<u>3,090,024</u>	<u>3,393,138</u>

**5. ENDOWMENT AND INVESTMENT INCOME**

	Note	31 July 2010 £	31 July 2009 £
Income from expendable endowments	17	78	592
Income from short term investments		2,922	35,972
		<u>3,000</u>	<u>36,564</u>

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 July 2010

## 6. STAFF

	2010 No	2009 No
The average number of persons (including senior post-holders) employed by the University College during the period, expressed as full-time equivalents, was:-		
Lecturing staff, holders of senior posts, staff paid on academic scales and part-time lecturers	135	138
Administrative, professional and technical staff	124	120
Other	72	71
	<u>331</u>	<u>329</u>

	Note	Year ended 31 July 2010 £	Year ended 31 July 2009 £
<b>Staff costs for the above persons:</b>			
Wages and salaries		10,267,448	9,972,835
Social security costs		779,079	752,683
Other pension costs	30	1,280,737	1,203,704
Pension enhancement costs		72,767	70,181
Restructuring costs		34,988	36,768
Current service cost FRS17 item		381,000	353,000
Total		<u>12,816,019</u>	<u>12,389,171</u>

The numbers of staff, including senior post-holders and the Principal, who received emoluments (excluding pension contributions) in the following ranges were:

	31 July 2010 No	31 July 2009 No
£110,001 to £120,000	-	1
£120,001 to £130,000	1	-
	<u>1</u>	<u>1</u>

	31 July 2010 £	31 July 2009 £
<b>Directors' remuneration</b>		
Emoluments	207,952	198,625
Pension contributions	26,610	27,815
	<u>234,562</u>	<u>226,440</u>

	31 July 2010 £	31 July 2009 £
<b>Remuneration of the highest paid director</b>		
Emoluments	130,000	111,607
Pension contributions	18,330	15,738
	<u>148,330</u>	<u>127,345</u>

The highest paid director is a member of a defined benefit scheme and had accrued entitlements of £59,830 under the scheme at the end of the year.

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 July 2010

**6. STAFF (CONTINUED)**

<b>The number of directors who:</b>	<b>31 July 2010</b>	<b>31 July 2009</b>
	<b>No</b>	<b>No</b>
Are members of a defined benefit pension scheme	3	3

**7. SENIOR POST-HOLDERS**

	<b>31 July 2010</b>	<b>31 July 2009</b>
	<b>No</b>	<b>No</b>
The number of senior post-holders including the Principal was:	5	5

The Principal (who is also the highest paid senior post-holder) is the highest paid director (see Note 6).

**8. ANALYSIS OF 2009/2010 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 2010</b>	<b>Total Year ended 31 July 2009</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Academic departments	6,678,444	37,803	962,141	-	7,678,388	7,562,849
Academic services	683,811	200,203	505,738	-	1,389,752	1,350,931
Research grants and contracts	38,852	-	8,636	-	47,488	45,062
Catering and conferences	926,916	219,542	1,002,630	-	2,149,088	2,961,674
Premises	658,555	896,289	948,292	-	2,503,136	1,945,403
Administration	3,215,078	76,330	2,556,016	-	5,847,424	5,256,954
Other expenses	233,363	-	123,691	71,402	428,456	283,492
Current service cost FRS17	381,000	-	-	-	381,000	353,000
Net interest on pension liabilities	-	-	-	473,000	473,000	272,000
Impairment of investment asset	-	-	-	-	-	175,395
<b>Total per income and expenditure account</b>	<b>12,816,019</b>	<b>1,430,167</b>	<b>6,107,144</b>	<b>544,402</b>	<b>20,897,732</b>	<b>20,206,760</b>

Other operating expenses include:

The analysis of external auditors' remuneration is as follows:

Fees payable to the University College's auditors for the audit of the University College's annual accounts	15,000	15,000
External auditors' remuneration in respect of non-audit services	4,681	4,100

NOTES TO THE ACCOUNTS (CONTINUED)  
For the year ended 31 July 2010

**9. TANGIBLE FIXED ASSETS**

	Assets in the course of Construction £	Freehold land and Buildings £	Furniture, equipment, fixtures and fittings £	Motor vehicles £	Total £
<b>Cost/valuation</b>					
At 1 August 2009 at cost	1,110,163	17,120,612	3,595,206	62,634	21,888,615
At 1 August 2009 at valuation	-	12,355,612	-	-	12,355,612
Additions during the year	8,122,747	-	212,110	-	8,334,857
Completed during the year	(909,958)	909,958	-	-	-
Disposals during the year	-	-	(45,386)	(13,736)	(59,122)
At 31 July 2010	<u>8,322,952</u>	<u>30,386,182</u>	<u>3,761,930</u>	<u>48,898</u>	<u>42,519,962</u>
At cost	8,322,952	18,030,570	3,761,930	48,898	30,164,350
At valuation	-	12,355,612	-	-	12,355,612
At 31 July 2010	<u>8,322,952</u>	<u>30,386,182</u>	<u>3,761,930</u>	<u>48,898</u>	<u>42,519,962</u>
<b>Accumulated depreciation</b>					
At 1 August 2009	-	7,976,718	2,598,916	62,634	10,638,268
Charge for the year	-	1,074,638	355,529	-	1,430,167
Disposals	-	-	(45,386)	(13,736)	(59,122)
At 31 July 2010	<u>-</u>	<u>9,051,356</u>	<u>2,909,059</u>	<u>48,898</u>	<u>12,009,313</u>
<b>Net book value</b>					
At 31 July 2010	<u>8,322,952</u>	<u>21,334,826</u>	<u>852,871</u>	<u>-</u>	<u>30,510,649</u>
At 31 July 2009	<u>1,110,163</u>	<u>21,499,506</u>	<u>996,290</u>	<u>-</u>	<u>23,605,959</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.

A legal agreement was signed between the University College and the HEFCE that valued the exchequer interest in the University College. 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 College or significant downsizing (by at least 50 per cent). As at 31 July 2010, the value of the exchequer interest in the University College was £4,205,649 (2009: £2,892,683).

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 July 2010

**10. ENDOWMENT ASSET INVESTMENTS**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Balance at 1 August	33,452	38,145
Disposals	(2,032)	(4,693)
	<u>31,420</u>	<u>33,452</u>
At 31 July	<u>31,420</u>	<u>33,452</u>
Represented by		
Cash at bank held for endowment funds	<u>31,420</u>	<u>33,452</u>

**11. DEBTORS**

	<b>31 July 2010</b>	<b>31 July 2009</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	496,355	421,900
Amounts due from funding councils	40,425	126,745
Prepayments and accrued income	212,414	162,739
	<u>749,194</u>	<u>711,384</u>

**12. INVESTMENTS**

	<b>31 July 2010</b>	<b>31 July 2009</b>
	<b>£</b>	<b>£</b>
Deposits maturing:		
In one year or less	<u>65,773</u>	<u>175,396</u>

The deposit is held with Kaupthing Singer & Friedlander who were placed in administration by the UK authorities in October 2008. The amount represents the value of the investment that is expected to be recovered, and is shown net of a provision of £175,395 (2009: £175,395).

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

	<b>31 July 2010</b>	<b>31 July 2009</b>
	<b>£</b>	<b>£</b>
Trade creditors	752,627	1,304,852
Payments received in advance	154,704	10,835
Social security and other taxation payable	255,663	258,110
Pensions and similar obligations	160,555	154,836
Accruals	901,061	151,809
Amounts owing to funding councils	610,319	597,428
Access funds	3,924	7,803
	<u>2,838,853</u>	<u>2,485,673</u>

NOTES TO THE ACCOUNTS (CONTINUED)  
For the year ended 31 July 2010**14. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR**

	<b>31 July 2010</b>	<b>31 July 2009</b>
	<b>£</b>	<b>£</b>
Building retention creditors	-	11,415
Bank loan	3,000,000	-
Revolving Green Fund long term loan	50,000	-
	<u>3,050,000</u>	<u>11,415</u>

The bank loan is repayable as follows:

	<b>31 July 2010</b>	<b>31 July 2009</b>
	<b>£</b>	<b>£</b>
Between one and two years	-	-
Between two and five years	1,100,000	-
After five years	1,900,000	-
	<u>3,000,000</u>	<u>-</u>

The bank loan taken out during the year is split into three equal tranches with loan periods of 5 years, 10 years and 20 years respectively. Repayments are by quarterly instalments commencing November 2014 supplemented by lump sum repayments at the end of each loan period. The loan is on a fixed interest rate of 7.27% with interest 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.

**15. PROVISIONS FOR LIABILITIES**

	<b>Pension Enhancement £</b>
At 1 August 2009	749,309
Utilised in year	(44,116)
Transfer from income and expenditure account	40,463
At 31 July 2010	<u>745,656</u>

Pension enhancement provision relates to pension enhancements which the University College has awarded to former staff members. The provision will be utilised over the period to which these individuals are entitled to their pensions.

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 July 2010

**16. DEFERRED CAPITAL GRANTS**

	Note	Funding Councils 2010 £	Total 2009 £
<b>At 1 August</b>			
Equipment		67,642	135,772
Buildings		3,525,725	3,591,287
Total		<u>3,593,367</u>	<u>3,727,059</u>
<b>Received:</b>			
Equipment		-	-
Buildings		1,734,811	243,672
Total		<u>1,734,811</u>	<u>243,672</u>
 <b>Released to income and expenditure account:</b>			
Equipment	1	38,315	68,130
Buildings	1	325,464	309,234
Total		<u>363,779</u>	<u>377,364</u>
 <b>At 31 July</b>			
Equipment		29,327	67,642
Buildings		4,935,072	3,525,725
Total		<u>4,964,399</u>	<u>3,593,367</u>

On 30 July 2010 HEFCE confirmed a reduction to capital grant allocations from the Capital Investment Fund 2008-11. As only a small amount of the University College's allocation was yet to be received, this will lead to a net repayment of capital grants to HEFCE in 2010/11 of £170,554.

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 July 2010

**17. ENDOWMENTS**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Restricted Expendable Endowments</b>		
At 1 August		
Capital	32,885	36,779
Accumulated Income	567	1,366
	<u>33,452</u>	<u>38,145</u>
 New endowments	 814	 700
 Investment income	 78	 592
Expenditure	(2,924)	(5,985)
	<u>(2,846)</u>	<u>(5,393)</u>
 At 31 July	 <u>31,420</u>	 <u>33,452</u>
 Represented by		
Capital	31,290	32,885
Accumulated income	130	567
	<u>31,420</u>	<u>33,452</u>

**18. REVALUATION RESERVE**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
At 1 August	7,412,041	8,245,972
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets	(225,060)	(255,808)
Disposal of properties	-	(460,123)
Impairment	-	(118,000)
	<u>7,186,981</u>	<u>7,412,041</u>

**19. MOVEMENT ON GENERAL RESERVES**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Income and Expenditure Account Reserve</b>		
At 1 August	3,135,809	5,121,824
Surplus/(deficit) for the year retained within general reserves	447,166	(696,946)
Transfer from revaluation reserve	225,060	833,931
Actuarial loss	(68,000)	(2,123,000)
Gain on indexation change for pension scheme	2,175,000	-
	<u>5,915,035</u>	<u>3,135,809</u>

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 July 2010

**20. RECONCILIATION OF DEFICIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	31 July 2010 £	31 July 2009 £
Surplus/(deficit) after depreciation of tangible fixed assets at valuation and exceptional item	444,320	(702,339)
Depreciation (note 9)	1,430,167	1,576,274
Deferred capital grants released to income (note 1)	(363,779)	(377,364)
Investment income (note 5)	(3,000)	(36,564)
Interest and other finance costs (note 8)	544,402	284,514
Decrease/(Increase) in stock	5,411	(1,897)
(Increase) in debtors	(37,810)	(193,392)
Increase in creditors	166,894	284,320
(Decrease)/increase in provisions	(3,653)	(6,460)
Increase in staff costs arising from FRS 17 (note 6)	381,000	353,000
Impairment of investment	-	175,395
Exceptional loss on disposal of fixed assets	-	460,123
	<u>2,563,952</u>	<u>1,815,610</u>

**21. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	31 July 2010 £	31 July 2009 £
Income from endowments	78	592
Other interest received	2,922	36,164
Interest paid	(58,479)	-
	<u>(55,479)</u>	<u>36,756</u>

**22. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

	31 July 2010 £	31 July 2009 £
Payments made to acquire fixed assets	(8,172,909)	(1,129,642)
Deferred capital grant received	1,734,811	243,672
New endowments received	814	700
Receipts from Revolving Green Fund	50,000	-
	<u>(6,387,284)</u>	<u>(885,270)</u>

**23. FINANCING**

	31 July 2010 £	31 July 2009 £
New bank loan	<u>3,000,000</u>	<u>-</u>

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 July 2010

**24. MANAGEMENT OF LIQUID RESOURCES**

	<b>31 July 2010</b>	<b>31 July 2009</b>
	<b>£</b>	<b>£</b>
Withdrawal of deposits	109,623	83,237
	<u>109,623</u>	<u>83,237</u>
	<u><u>109,623</u></u>	<u><u>83,237</u></u>

**25. ANALYSIS OF CHANGES IN NET (DEBT)/FUNDS**

	<b>At 31 July</b>	<b>Cash flows</b>	<b>At 31 July</b>
	<b>2009</b>	<b>£</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Endowment assets	33,452	(2,032)	31,420
Cash at bank and in hand	2,337,021	(767,156)	1,569,865
	<u>2,370,473</u>	<u>(769,188)</u>	<u>1,601,825</u>
Current asset investments	175,396	(109,623)	65,773
	<u>2,545,869</u>	<u>(878,811)</u>	<u>1,667,058</u>
Total short term funds	-	(3,000,000)	(3,000,000)
Long term debt	<u>-</u>	<u>(3,000,000)</u>	<u>(3,000,000)</u>
<b>Total</b>	<u><u>2,545,869</u></u>	<u><u>(3,878,811)</u></u>	<u><u>(1,332,942)</u></u>

**26. ACCESS FUNDS**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Balance unspent at 1 August	7,803	3,261
Funding council grant	68,742	75,693
Interest earned	80	706
	<u>76,625</u>	<u>79,660</u>
Disbursed to students	(70,639)	(71,457)
Training and publicity	(2,062)	(400)
	<u>3,924</u>	<u>7,803</u>
Balance unspent at 31 July	<u><u>3,924</u></u>	<u><u>7,803</u></u>

Funding council grants are available solely for students, the University College acts only as a paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account. Within the cash flow they appear within the movement on creditors.

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 July 2010

**27. TRAINING BURSARIES**

	<b>31 July 2010</b>	<b>31 July 2009</b>
	<b>£</b>	<b>£</b>
Funding council grant	1,536,064	1,146,000
Disbursed to students	<u>(1,469,930)</u>	<u>(1,065,335)</u>
Balance unspent at 31 July	<u>66,134</u>	<u>80,665</u>

Training bursaries are available solely for PGCE students, the University College acts only as a paying agent. The grants and related disbursements are therefore excluded from the University College's income and expenditure account. Within the cash flow they appear within the movement on creditors.

The University College has received a fee of £30,022 (2009: £17,640) in the year in return for administering the payment of these bursaries. This income is included within Funding Council Grants in the income and expenditure account.

**28. MINORITY ETHNIC RECRUITMENT GRANT**

	<b>31 July 2010</b>	<b>31 July 2009</b>
	<b>£</b>	<b>£</b>
Balance unspent at 1 August	-	-
Funding council grant	<u>6,850</u>	<u>9,600</u>
	6,850	9,600
Disbursed	<u>(6,850)</u>	<u>(9,600)</u>
Balance unspent at 31 July	<u>-</u>	<u>-</u>

**29. CAPITAL COMMITMENTS**

Provision has been made for the following capital commitments at 31 July 2010.

	<b>31 July 2010</b>	<b>31 July 2009</b>
	<b>£</b>	<b>£</b>
Commitments contracted for	<u>1,652,875</u>	<u>6,582,049</u>

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 July 2010

**30. PENSION SCHEMES**

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

The total pension cost for the University College was:

	2010	2009
	£	£
Contributions to TPS	697,484	667,749
Contributions to WYPF	583,253	535,955
	<u>1,280,737</u>	<u>1,203,704</u>
Pension enhancement costs	72,767	70,181
Net current service cost	381,000	353,000
Past service/curtailment/settlement loss	-	-
Net interest on pension liabilities	473,000	272,000
	<u>2,207,504</u>	<u>1,898,885</u>
Total pension cost		

**Teachers Pension Scheme**

TPS is valued not less than every four years by the Government Actuary. Contributions are paid by the Institution 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 14.1% of pensionable salaries.

Under the definitions set out in Financial Reporting Standard 17 "Retirement benefits" (FRS 17), the TPS is a multi-employer defined benefit pension scheme. The University College 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 College has taken advantage of the exemption in FRS 17 and has accounted for its contributions as if it were a defined contribution scheme.

**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. The contribution payable by the employer was increased to 14.6% of pensionable salaries from April 2010. The rate from April 2011 will be set following the finalisation of the March 2010 triennial valuation.

Under the definitions set out in FRS 17, the WYPF is a multi-employer defined benefit pension scheme. In the case of the WYPF, the actuary of the scheme has identified the Institution's share of its assets and liabilities as at 31 July 2010.

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.

NOTES TO THE ACCOUNTS (CONTINUED)  
For the year ended 31 July 2010**30. PENSION SCHEMES (continued)**

The material assumptions used by the actuary for FRS17 at 31 July 2010 were:

	At 31 July 2010	At 31 July 2009
Rate of increase in salaries	5.25%	5.55%
Liability discount rate	5.40%	6.00%
Inflation assumption	2.80%	3.80%

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

	At 31 July 2010	At 31 July 2009
<i>Retiring today</i>		
Males	21.8	21.6
Females	25.4	25.3
<i>Retiring in 20 years</i>		
Males	24.1	23.9
Females	27.9	27.7

The assets and liabilities of the defined benefit scheme with the expected rates of return on Scheme assets are shown below:

Value	31 July 2010 £'000s	31 July 2009 £'000s	31 July 2008 £'000s
Equities	11,203	9,493	9,208
Property	625	479	622
Government bonds	2,116	1,955	1,338
Other bonds	625	491	622
Cash/liquidity	401	665	608
Other	1,057	213	1,122
	<hr/>	<hr/>	<hr/>
Total	16,027	13,296	13,520
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Expected Rate of Return	31 July 2010	31 July 2009	31 July 2008
Equities	8.2%	8.0%	7.5%
Property	7.7%	7.0%	6.5%
Government bonds	4.2%	4.5%	4.8%
Other bonds	4.9%	5.9%	5.9%
Cash/liquidity	1.4%	0.9%	5.0%
Other	8.2%	0.9%	7.5%

The following amounts at 31 July 2010 were measured in accordance with the requirements of FRS17.

Analysis of the amount shown in the balance sheet	2010 £'000	2009 £'000
The University College's estimated asset share	16,027	13,296
Present value of the University College's Scheme liabilities	<hr/> (24,236)	<hr/> (22,758)
Deficit in the Scheme - Net pension liability	<hr/> (8,209)	<hr/> (9,462)

NOTES TO THE ACCOUNTS (CONTINUED)  
For the year ended 31 July 2010

## 30. PENSION SCHEMES (continued)

<b>Analysis of the amount charged to staff costs within operating surplus/(deficit)</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Current service cost	(975)	(901)
Total operating charge	<u>(975)</u>	<u>(901)</u>
<b>Analysis of amount that is (charged)/credited to other finance income:</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Expected return on pension scheme assets	924	944
Interest on pension scheme liabilities	(1,397)	(1,216)
Net (charge)	<u>(473)</u>	<u>(272)</u>
<b>Analysis of amount recognisable in statement of total recognised gains and losses (STRGL)</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Actuarial loss recognised in STRGL	(68)	(2,123)
Gain on indexation change recognised in STRGL	2,175	-
Net gain/(loss)	<u>2,107</u>	<u>(2,123)</u>
<b>Analysis of the movement in the present value of the scheme liabilities</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
At beginning of year	22,758	20,234
Current service cost	975	901
Interest cost	1,397	1,216
Contributions by scheme participants	284	273
Actuarial losses	1,182	551
Benefits paid	(185)	(417)
Change in the basis of indexation	(2,175)	-
At end of year	<u>24,236</u>	<u>22,758</u>
<b>Analysis of the movement in the market value of the scheme assets</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
At beginning of year	13,296	13,520
Expected rate of return on scheme assets	924	944
Actuarial gains and losses	1,114	(1,572)
Contribution by the employer	594	548
Contribution by scheme participants	284	273
Benefits paid	(185)	(417)
At end of year	<u>16,027</u>	<u>13,296</u>

## NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 July 2010

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

	Year ending 31 July				
	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of defined benefit obligations					
Funded	(24,115)	(22,620)	(20,097)	(16,125)	(14,929)*
Unfunded	(121)	(138)	(137)	(105)	-*
Fair value of scheme assets	16,027	13,296	13,520	13,938	12,130
Deficit in the scheme	(8,209)	(9,462)	(6,714)	(2,292)	(2,799)
Difference between expected and actual return on Scheme assets:					
Amount (£'000)	1,114	(1,572)	(1,654)	724	848
Percentage of Scheme assets	7.0%	11.8%	12.2%	5.2%	7.0%
Experience losses on scheme liabilities:					
Amount (£'000)	(165)	(47)	(945)	-	-
Percentage of the present value of the scheme liabilities	0.7%	0.2%	4.7%		
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	2,107	(2,123)	(4,073)	754	(11)
Percentage of present value of scheme liabilities	8.7%	9.3%	20.3%	4.6%	0.8%

\*the split between funded and unfunded obligations is not available for the year ending 31 July 2006.

The cumulative actuarial loss which has been posted through the STRGL since FRS17 was adopted is £8,341,000.

The gain on indexation change of £2,175,000 in 2009/10 relates to the government announcement that future pension increases will be tied to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This has been treated as a change in assumptions and has therefore been reported through the STRGL.

In accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at mid-market value for periods ending 2009 and 2008 have been re-measured for this purpose. Asset values for period ending 2007 and 2006 are shown at mid-market value and have not been re-measured as permitted by FRS17 (as revised).

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 £2,038,000 (2009: (£628,000)).

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

The estimate for the contribution for the defined benefit scheme for the year 2010/11 is £634,000.

