

NORTHERN SCHOOL
OF CONTEMPORARY DANCE

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDING
31 JULY 2012

The Northern School of
Contemporary Dance

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OPERATING AND FINANCIAL REVIEW FOR THE YEAR FROM 1 AUGUST 2011 TO 31 JULY 2012

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2012. The Operating and Financial Review was prepared in accordance with the Accounting Standards Board's Reporting Statement, Charity Commission guidance on public benefit and section 4 of the Charities Act 2011.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting The Northern School of Contemporary Dance. The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2006 and 2011. Since 2003, the Northern School of Contemporary Dance has been an affiliate of the Conservatoire for Dance and Drama.

Mission Statement

The College's mission statement as approved by its members is:

"The Northern School of Contemporary Dance is committed to maintaining its reputation, as a Centre of Excellence providing high quality educational and training opportunities in dance and dance related areas with particular concern for access and equal opportunities".

Public Benefit Statement

The Northern School of Contemporary Dance, as an affiliate of the Conservatoire for Dance and Drama, uses its exceptional funding to deliver additional public value in six ways:

- a. Producing exceptional artists who shape the future of dance, drama and circus arts;
- b. Fostering talent and creativity through world-class vocational training;
- c. Finding and nurturing the finest UK talent;
- d. Supporting the cultural infrastructure;
- e. Fuelling development in the creative industries;
- f. International leadership in dance, drama and circus arts.

The Conservatoire was born from a need to protect high level vocational training in dance and drama and to sustain the UK's leadership in these fields internationally. The addition of circus arts to the Conservatoire's portfolio enhances the UK's reputation in this field.

The primary public value delivered by the School within the framework of the Conservatoire is that it produces world-class alumni who go on to shape the future of the performing arts and are essential to sustaining the cultural life of the nation. This has cultural, economic and reputational value, which extends beyond the School. The specialist training needed to succeed at the highest levels is made available to the finest talents irrespective of background, and the School is unstinting in the search for talent wherever it can be found, including non-traditional forms and sources. This process stimulates wider participation in the arts and provides in the Conservatoire and its affiliate schools a national point of aspiration for dance, drama and circus students throughout the UK.

The additional public value cannot be secured without training of this kind, with its defining focus on nurturing young artists as individuals.

The School is rigorous in its delivery of training, compassionate in its support for its students and imaginative in its promotion of dance. It provides valued support to the cultural infrastructure and fuels the development of the creative industries, pushing the boundaries of the art forms, developing national capability in new areas, building enterprise and enriching national life with its public performance programming. Its international work increases the UK's world standing in the arts and adds to the competitiveness of UK higher education. Its graduates are cultural ambassadors who extend and enhance the creative life of the UK.

Implementation of the Strategic Plan

In January 2009, following an extensive consultation and development period, the College adopted its strategic plan for the period 01 August 2008 to 31 July 2011. This plan was rolled forward to 2011-12. The Strategic Plan for the period from 01 August 2012 to 31 July 2015 was presented for discussion at the Governor's Away Day in October 2012 and will be finalised and approved by the Board at a subsequent cycle of Committee meetings. The plan includes all aspects of the College's provision, including curriculum, financial and resource planning. The Corporation monitors the performance of the College against the Plan through an annually produced operating statement, which details specific objectives for the period. The College's core strategic objectives are to:

- Provide high quality vocational dance courses of study which combine a conservatoire approach with the supporting mechanisms of a university education.
- Encourage individual development and professional competence of such a category that graduates will be well equipped to compete in the professional world of dance.
- Raise awareness of the educational aspects inherent in dance training through theatre, music, literature, art and design thus developing the body and intellect simultaneously.
- Widen access to Higher Education (HE) and Further Education (FE) by providing:-
 - Special entry procedures
 - A high level of student support
 - Part-time community courses
 - An access Foundation Course
 - An outreach programme
- Break down pre-conceptions regarding race and sex and artistic involvement and achievement.
- Remain informed of, influence and respond to, developments in the world of dance.
- Further improve on the acknowledged high quality of teaching and learning in the College.
- Further improve the efficiency and economy of the running of the College, ensuring the College has enough reserves to maintain the current level of activity and the excellence of its provision. The College also actively seeks new funding sources to help students with financial support and for career development schemes.

The College's specific objectives for 2011-12 and achievements against those objectives are addressed below:

- To carry out a full review of staffing at the College, ensuring that the revised structure addresses a changing environment, whilst maximising efficiency and obtaining the target cost savings required for 2012-13.

Update: A full restructure of support staffing was undertaken in the autumn of 2011, followed by a restructure of the Academic and Resource departments in July 2012. The new structure enables delivery of an enhanced curriculum, strengthens student support and builds in resource to meet the future strategic direction of the College.

- To continue with a professional season of dance performances in the Riley Theatre, in order to attract visiting artists to Leeds and provide an opportunity for students to watch those artists on site, combined with the opportunity to build stronger links with the local community.

Update: The professional season continues to flourish, the schedule includes both established and emerging dance companies/artists. The re-introduction of the professional season, in recent years, has been widely welcomed by dance partners across the region, raising the offer to students on-site and the profile of the College. The season enables the NSCD to further contribute towards the development of dance in the North of England.

Implementation of the Strategic Plan continued

- Following the appointment of a new Principal conduct a full review of the student offering and refresh as required, with a view to preparing students for the competitive market place of dance following graduation.

Update: The curriculum has been enriched to provide a more diverse offering to the students. Introducing healthy dancer days and improving injury and rehabilitation support helps prepare the College's emerging dancers for sustainable careers. The school has been open and responsive to any opportunities for students to engage in extra curricula activities off-site in order to build and establish links into the profession.

Looking forward to 2012-13 onwards

A new funding regime for higher education will come into force from the next academic year 2012-13. The Conservatoire has set its fees at £9,000 for UK and EU students along with all other conservatoires, performing arts specialist institutions and the majority of universities. The new fee regime does represent a significant change which brings with it risks. The Conservatoire and its schools have reviewed the risks and put in place a Conservatoire Scholarship Scheme to provide fee discounts to students. Discounts of up to £4,000 will be available alongside a government-sponsored National Scholarship Programme.

The Conservatoire is in close conversation with government and HEFCE about the future of its funding. By working together, the eight Conservatoire schools represent an elite group of vocational institutions in dance, drama and circus arts which strengthens the voice of performing arts training. For 2012-13, specialist funding through the targeted allocation will continue. Beyond 2012-13 premium funding levels are uncertain, as is the method of funding postgraduate study in respect of the contribution from the student and the value of top-up from government.

Throughout 2012-13, the Conservatoire and schools will continue to monitor closely student applications, provide full and detailed information about the financial support available to students, respond to consultations and requests for information and work closely with government and its agencies to protect the future of vocational training and the Conservatoire schools.

Financial Objectives

The College's financial objectives are:

- To achieve an annual operating surplus.

Update: A surplus of £136K has been achieved for the financial year 2011-12. The College has absorbed a cut in core funding of £56K in addition to a number of exceptional items of expenditure during the year, largely arising from a full staff restructure and special projects being commissioned.

- To identify and apply the savings target of £95K as identified whilst drawing up the budget for 2012-13, protecting the existing staff base, where possible, and ensuring that measures taken do not adversely affect the core activities of the College.

Update: A review of expenditure, together with a full staff restructure has achieved the necessary savings target and a budget predicting a break-even position has been approved by the Corporation. The five-year rolling financial plan will continue to assist in monitoring the financial stability going-forward in an uncertain climate, by providing a mechanism to identify risk and take any corrective action required in a timely manner. Throughout the review process the College has been mindful of enhancing the student experience and, as such, has made improvements to the curriculum and the student support provision.

Performance Indicators

As a Higher Education Institution, affiliated to the Conservatoire for Dance and Drama (CDD), the College measures its performance by the overall employment targets set by HEFCE for conservatoire performing arts institutions and by successful qualification and completion rates. The College also carefully monitors student recruitment and retention, reflecting its concern for providing the widest possible access to the highest level dance training opportunities available in the UK. Three key performance indicators are noted below:

Student Recruitment

Students can now apply and book auditions via an online system. 642 students applied for entry to the BPA, Postgraduate and Foundation programmes collectively for which approximately 100 places were available. This is a decrease of approximately 3% when compared to the previous year, where applications totalled 735. The higher numbers in the previous year were largely due to the introduction of a higher tuition fee from 2012-13, encouraging students to apply for 2011-12 places at the lower contribution rate.

Qualification and Completion rates

From the students graduating in July 2012, 47 completed the BPA programme of which 4 achieved first class awards, 40 achieved 2:1 classification and 3 achieved a 2:2 classification. No students failed the course and the student classifications reflect a higher rate of achievement when compared to the previous year 2010-11. There is also an improvement of 7 in the student numbers successfully completing the BPA course. This increase in achievement is also replicated in the Postgraduate results, where although student numbers remained at 15, the level of grades attained across the pathways has steadily increased when compared to those gained in 2010-11. 30 students successfully completed the Foundation course, with three learners withdrawing during the academic year.

Student Destinations

As a member of the CDD, the College is subject to the conditions of premium funding for specialist institutions, specifically with regard to employment outcomes. The target set for achieving professional employment for CDD graduates in the dance/drama and circus arts fields is 75% within 3 years of graduation. The most recent figures, for CDD as a whole, demonstrate an 87% success rate. This figure will be updated during the autumn term of 2012.

FINANCIAL POSITION

Financial Results

The College has retained a surplus of £136K (2011: £57K) in the year which was welcomed given that the College has needed to make efficiency savings in order to produce a break-even budget for 2012-13.

The College conducted a full review of expenditure in order to achieve the required cost savings, combined with a restructure of the Academic and Resources departments, following a restructure of the support staff during the autumn of 2011. In addition to the financial pressures, the staffing needed to reflect changes in the curriculum and also improve the effectiveness of some services to best serve the College.

The required savings target has been found, whilst also allowing for additional investment in the core provision offered to students. The introduction of the higher rate of the student contribution towards tuition fees from 2012-13 places further emphasis on delivering an enhanced curriculum which reflects the skill set required in the competitive market place following graduation. The College is also committed to maintaining and building upon the learner support provision already in place, to enable the continued well-being of its students, whilst ensuring the support is tailored to satisfy the particular needs of those studying dance within a Conservatoire environment.

Financial Results continued

An emphasis has been placed on building a focused student recruitment plan, student retention and identifying new income streams, particularly by directing resources into fund raising initiatives and greater utilisation of the building by securing external hires.

The College appreciates the generous support it has received from the Leverhulme Trust, The Lankelly Chase Foundation, the Conservatoire for Dance and Drama (CDD), the Education Funding Agency (EFA) and the Skills Funding Agency (SFA) in respect of student support funds. Support for core College activities in the year was also received from the CDD (HEFCE teaching grant and related funds), the EFA, the SFA, the Department for Children, Schools and Families, Arts @ Leeds and Friends of NSCD.

Reserves Policy

The College normally adopts a policy of retaining 3 months working capital as a reserve. The current financial year has seen a decrease in reserves, largely due to the pension liability increasing by £227K, partly offset by the realised surplus of £136K. The surplus generated in the year will assist the College over the period of financial uncertainty in terms of premium funding and postgraduate study, combined with the introduction of the higher student tuition fee contribution in the forthcoming academic year. The reserves policy will enable the College to meet on-going commitments and cash-flow needs. The College will continue to carefully monitor the impact of the potential liability associated with the Local Government Pension Scheme, together with the financial climate as a whole.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

As an affiliate member of the Conservatoire for Dance and Drama in receipt of premium funding, student numbers at NSCD are restricted to remain at under 200 Full Time Equivalent (FTE) places. The ratio of applications to enrolments is currently at 4:1 (Foundation course), 6:1 (Postgraduate courses) and 8:1 (Degree courses).

Curriculum Developments

A recent restructure of the Academic department, combined with a reshaping of the offering creates more fluidity, allowing staff to teach and offer into the different subject areas of the curriculum. Assessments and marking processes have been streamlined in order to allocate staff time more efficiently and provide effective, timely feedback to the students.

The changes have closed the separation between technique, choreography and other parts of the curriculum and embedded a performance faculty within technique which underlines the purpose of technique training, which has been updated to include somatic practice and more recent developments in dance training.

Previously, Choreography and Creative Studies defined two dance artists; a dance-maker/choreographer or a creative performer. The new subject area of Choreography and Creative Practice embraces a much broader view of the contemporary dance artist.

The BPA course has been enriched from the first year to include Dance and Media Arts within the curriculum. This presents an opportunity to build skills in digital, video and sound technology and will keep students up-to-date with current professional practice, enhancing their career development.

2012-13 sees the introduction of the award of a Certificate of Higher Education (Cert HE) for year one students who have not completed the first year of the BPA programme and have achieved 120 credits but do not wish, or are unable to progress into the second year.

In light of the rising costs of higher education and the resulting debt incurred by students, it is important that students are able to gain a recognised qualification which reflects their educational achievement and investment.

Curriculum Developments continued

The College has continued to put on hold the introduction of additional MA components for its Postgraduate study programmes and has also suspended recruitment to the PGDip/MA Choreography programme and the Advanced Training Scheme Pathway of the Postgraduate Diploma in Contemporary Dance. Recruitment to these programmes will be reviewed periodically in light of their financial viability.

The investment in student support continues, with the College providing a service which includes osteopathy and physiotherapy treatments; welfare and English language support. The College has also utilised capital monies to purchase editing suite equipment for student use and to provide camera kits for hire.

Payment Performance

The College's policy is to use its purchasing power fairly and to pay promptly and as agreed.

The terms for payments for purchases under major contracts are settled when agreeing other terms negotiated with the suppliers. It is the College's usual policy to make payments for other purchases by the end of the month following the date of supply, provided that the relevant invoice is presented to the College in a timely fashion and is complete. Smaller organisations and individuals may be paid more promptly.

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 01 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. This timescale is adhered to in the absence of an alternative agreement being in place.

Post-Balance Sheet Events

There are no reportable post-balance sheet events.

Resources

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

- Tangible resources include the main College site and equipment.
- The College has £2,035K net assets (including £558K pension liability).
- The College employs 39.1 people (expressed as full time equivalents) of whom 16.8 are teaching staff and 7.9 teaching support staff.
- The College has an excellent reputation both in the UK and internationally, providing a unique provision at conservatoire standard. Maintaining this quality is essential for the College's success in attracting students, staff and external relationships.

Principal Risks and Uncertainties

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

Based on the strategic plan, the College has undertaken a comprehensive review of the risk to which the College is exposed. Systems and procedures have been identified which should mitigate any potential impact on the College. In addition, issues are mitigated by internal audit visiting twice a year, reviewing areas as identified in the three-year rolling plan. This year focused on general IT Systems. The Governing Body will also commission special projects, as required, if an area of particular concern has been identified.

Principal Risks and Uncertainties continued

A risk register is maintained at College level which is reviewed at each cycle of Committee meetings throughout the year. The risk register identifies key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate those risks. Risks are prioritised using a consistent scoring system.

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

1. The College is working closely with CDD to address the issues surrounding future funding and the introduction of the higher tuition fee level from 2012-13. CDD is actively working to protect premium funding, monitor developments in postgraduate funding and assess the impact of the higher student tuition fee.
2. Due to a reduction in funding levels, the College conducted another financial review during 2011-12 in order to prepare for the future. The financial review will continue on a rolling 5 year basis, focusing on re-modelling plans as appropriate to meet a number of scenarios whilst maintaining quality across core activities.
3. As a conservatoire based outside of London, the NSCD continues to face the challenge of attracting students and staff away from London and other European capitals. The College will continue to address this geographical disadvantage by working vigorously on marketing activities in order to raise the quantity and quality of student applications. However, due to the current financial environment, Leeds may become a more viable study location in the future. The College recognises the importance of monitoring any changes to the student demographic and the number of applicants going forward, with a view to maintaining access and equal opportunities.

Stakeholder Relationships

The College has many stakeholders, these include:

Students, staff, Funding Councils, the Conservatoire for Dance and Drama (CDD), Local Authorities, The Leverhulme Trust, The Lankelly Chase Foundation, the Department for Children, Schools and Families and the local community.

The College recognises the importance of these relationships and engages in productive communication via formal and informal channels - including extending invitations to key stakeholders to College performances and other social events.

Staff and Student Involvement

The College considers good communication with its staff to be very important and encourages staff and student involvement through membership of formal committees, including representation on the Board of Governors and the Academic Board. Twice a year staff meetings are held at which staff are able to raise questions and express views about the working of the College.

Student Union

The College has developed a code of practice designed to work with the student union representatives to meet the requirements for a constitution. This allows for the College to review the accounting and banking procedures and ensures that students who are not members of the student union are not disadvantaged by their status. To date, despite active encouragement from the College, the NSCD Student body has chosen not to elect official union representatives and to take advantage of the associated benefits. However, student representatives have organised the distribution of student union cards and regularly organise events for which they ask the College for a financial contribution.

Equal Opportunities and Employment of Disabled Persons

The Northern School of Contemporary Dance is committed to ensuring equality of opportunity for all students and employees. The College actively promotes a culture which respects and positively values differences in race, gender, sexual orientation, ability, class and age. It also strives to remove conditions which place people at a disadvantage and actively combats bigotry. This policy will be resourced, implemented and monitored on an annual basis by the Employment Committee of the Corporation.

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

Charitable and Taxation Status

The College is an exempt charity for the purposes of *The Charities Act 2011* and is not liable to Corporation tax.

Disclosure of Information to Auditors

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

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cash-flow, liquidity and borrowings are described in the Financial Statements and the accompanying Notes.

The Corporation believe that the College is well placed to manage its risks successfully despite the current uncertain economic outlook and is satisfied that reliable control systems are in place, together with an effective monitoring system.

The College's current forecasts and predictions, taking account of reasonable sensitivities in relation to the key risks set out elsewhere in the Financial Statements, show that the College has adequate resources to continue in operational existence for the foreseeable future and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Approved by order of the members of the Corporation on 18 October 2012 and signed on its behalf by:

Kathleen Tattersall
Chair

Professional Advisors

External auditors	KPMG LLP, 1 The Embankment, Neville Street, Leeds, LS1 4DW
Internal auditor	Colin Shearing, Internal Auditor for CDD
Bankers	HSBC Bank plc, 108 Harrogate Road, Leeds, LS7 4NU
Solicitors	Eversheds LLP, Bridgewater Place, Water Lane, Leeds, LS11 5DR
Chartered Surveys	Carter Towler LLP, Coronet House, Queen Street, Leeds, LS1 2TW Tuffen Ferraby Taylor LLP, 2 Throgmorton Avenue, London, EC2N 2DG
Property Valuers	Chestertons, Minerva House, 29 East Parade, Leeds, LS1 5PS

Chair of Governors Report

I am very pleased to report another year of continuing progression, with excellent results being achieved by the student cohort.

This year has seen a further improvement in completion rates, together with a higher level of attainment in the classifications awarded for both the BPA Hons in Contemporary Dance and across the postgraduate pathways. It is very pleasing to see that graduates from the College's Foundation Course progress onto Higher Education in dance-related study, with 45% continuing their education at the NSCD. Graduates from the postgraduate programmes have obtained employment with well-respected professional companies, such as Motionhouse Dance Theatre, Jasmine Vardimon Dance Company and Legs on the Wall (Australia). Other graduates from the 2011-12 academic year have formed their own dance groups after securing support from the industry. The College is also keen to extend support to graduates and emerging artists.

This year has seen the appointment of a new Principal, Janet Smith. Janet joined the College in February 2012 and brings a wealth of experience in education and artistic leadership, combined with a strategic vision which includes exciting plans for organisational and curriculum development. Previously, Janet was the Artistic Director at the Scottish Dance Theatre for a period of fourteen years. During that time the company increased considerably in size and achieved national and international recognition, pioneering leadership in Arts and Disability. The Corporation would like to thank Veronica Lewis for undertaking a period of interim leadership at the College.

David Honeybone retired as Vice Chair of the Corporation at the end of July 2012, after an association with the College spanning a period in excess of fourteen years. The Board would like to thank him for his service and extend its best wishes for the future.

The College continues to work closely with colleagues from the CDD on academic and administrative matters. The unique relationship with the Conservatoire is continually valuable and particularly so during a period of major change in Higher Education with the introduction of the higher tuition fee in 2012-13 and uncertainty in relation to the future of premium funding levels and the financing of postgraduate study. Successful relationships remain in place with both the University of Kent, which validates the Degree and Postgraduate/MA programmes and the Open College Network (Yorkshire and the Humber), which validates the Foundation Course.

Once again this academic year has provided many challenges for staff, which they have undertaken with their usual determination, commitment and dynamism. The College has managed to implement cost saving measures required in the forthcoming year, whilst continuing to preserve and improve upon the high standard of student provision available. A full staffing restructure has been carried out over the year, protecting the existing staff base as much as possible. The College is mindful that, although cost savings are required, student expectations will increase in direct correlation with the introduction of a higher student tuition fee contribution. It is vitally important that academic standards and the quality of learning opportunities reflect those high expectations.

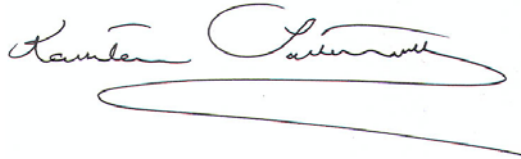
Looking forward to 2012/13, the curriculum has been refreshed and student support areas enhanced to provide the best possible service to learners. The University of Kent is scheduled to carry out a Periodic Programming Review in November 2012.

The Yorkshire Young Dancers (YYD) Scheme, in conjunction with Northern Ballet, continues to flourish and expand, with satellite provision now established in seven locations stretching from Manchester to Penrith. The scheme can offer around 60 student places, over three year groups, and it is hoped that all of those places will be filled for the forthcoming academic year. On completion of the YYD Scheme in 2011-12, around 50% of students have secured a place on the Foundation Course for 2012-13 and one student will enrol on the BPA Programme.

Chair of Governors Report continued

As reported elsewhere we have also ensured that our policies, contracts and strategic plans have been regularly updated, reviewed and rolled forward in the light of a very dynamic external environment.

Finally, I would like to thank my colleagues at the Corporation, the College staff, and above all, the students, for their contribution and commitment during this academic year.

A handwritten signature in black ink, appearing to read 'Kenton Turner', with a long, sweeping horizontal flourish underneath.

Chair of the Corporation

Statement of Corporate Governance

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code issued by the London Stock Exchange in June 2010.

The Corporation is aware of its obligation under its Financial Memorandum with the Conservatoire for Dance and Drama. The purpose of this statement is to help the reader to the financial statements understand how the principles have been applied.

Throughout the year ended 31 July 2012, the College has been in compliance with all the Code provisions set out in Section 1 of the Combined Code on Corporate Governance in so far as they relate to Colleges.

The College's Governing Body comprises of lay members, students, and employees appointed under the Statutes of the College, the majority of whom are non-executive. The roles of Chair and Vice-Chair of the Governing Body are separated from the role of the College's Chief Executive, the Principal. The matters specially reserved to the Governing Body for decision are set out in the Statutes of the College. The Governing Body holds to itself the responsibilities for the on-going strategic direction of the College, approval of major developments and the receipt of regular reports from the Executive Officers on the day-to-day operations of its business.

The Governing Body plan to meet four times a year, but will also arrange extraordinary meetings as required. There are several Committees including Finance and Policy Committee, Audit Committee, Employment Committee, Remuneration Committee and Nominations Committee. All of the Committees are formally constituted with terms of reference and comprise mainly of lay members of the Governing Body, one of whom is the Chair.

The Finance & Policy Committee inter alia recommends to the Governing Body the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Remuneration Committee determines the remuneration of the most senior staff, including the Principal.

The Audit Committee met four times during the year and met with the College's external and internal auditor in attendance. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Conservatoire and the Higher Education Funding Council for England as they affect the College's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee.

Janet Smith
Principal

The Work of the Corporation

Four of the Committees meet every term to share the heavy burden of discharging their responsibilities in a business-like and effective manner.

Finance and Policy

Chair: Kathleen Tattersall

The Finance & Policy Committee met three times in the year. The main item on the agenda continued to be Risk Management, ensuring that the College minimises its exposure by protective management action. The on-going positive relationship with the Conservatoire of Dance and Drama continues and is greatly appreciated, particularly in times when core funding levels reduce due to efficiency savings and, for the most part, is replaced by a much higher student tuition fee contribution in the year ahead. The College is awaiting key decisions in respect of premium funding and how postgraduate study will be supported in the future.

The College's financial position was monitored regularly through management accounts and special reports. The Annual Budget for 2012/13 was presented for discussion and approval in August 2012. The Budget reflects the recent staffing restructure concluded at the end of July 2012 and required cost savings of £95K have been applied in order to maintain a forecast status of break-even. Prudent assumptions have been made in respect of student retention and potential bad debts to reflect the introduction of the £9K tuition fee rate for the BPA Course and the general financial climate.

A five year rolling plan, covering the period from 2012-13 to 2016-17, has been prepared in line with the strategic aims and objectives of the College. The plan provides a working document which allows the College to closely monitor the financial situation both in the short and long term. A significant emphasis has been placed on identifying cost saving measures at the earliest opportunity, whilst also seeking potential income-generating activities to replace diminished core funding levels. The College has invested in fundraising initiatives and will also focus on building a robust student recruitment system. The College continues to be committed to ensuring value for money, whilst also being mindful of environmental issues and how continued improvements can be made in that area.

A Carbon Management Plan was adopted during 2010-11 and ideas implemented to date continue to show improvements in waste management, together with levels of energy and water consumption. An audit conducted during 2011-12 has re-classified the building to a higher grade of efficiency. Capital projects approved and undertaken during 2011-12 include increasing the number of editing workstations available for student use and upgrading the camera equipment available for student hire.

Existing Policies and Procedures were reviewed and monitored including: Financial Regulations; Annual Contracts; Premises Management and Maintenance; Health and Safety; Risk Assessment and Disaster Recovery Plans. A full review of the IT Policies and working practices will be undertaken following the appointment of an ICT Manager in the autumn of 2012.

I wish to thank my colleagues on the Finance & Policy Committee for their support and involvement throughout the year.

Audit

Chair: Janet Jurica

The Audit Committee met four times during the year 2011-12.

Internal and External Audit reports continued in confirming that internal controls are clear and satisfactory. During the sessions the Committee reviewed External and Internal Audit reports including reports from the Internal Auditor on issues outstanding from his previous visits and special recommendations from a number of sources consolidated into a summary review document. The 2011-12 Internal Audit report focussed on IT Systems and the nature of their

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necessary effective upgrading if the School was in a position to maintain its high quality of operational delivery and support for students and staff.

Audit continued

Some consideration was given to how the Audit Committee should be reviewing the effectiveness of the School's Governance and Procedural frameworks which will inform the Board's Review of these frameworks. The Audit Committee concluded that it and the Board has been very effective in progressing and resolving the issues arising from the serious incidence originally reported in 2009-10 to the CDD, the External Auditors and the HEFCE through CDD.

Finally I would like to thank David Honeybone, Pete Flynn and Simon Piasecki for their valuable contributions to the Audit Committee's work throughout the year and to express the Committee's particular gratitude to Jane Pritchard for all the support she has provided.

Remuneration

Chair: David Honeybone

In a year of major changes, the Remuneration Committee has met on two occasions, both of which have been held jointly with the Employment Committee because of the complex issues affecting all staff. The future structure of the two Committees and the distribution of work between them will form part of the Governance Review in 2012/13.

A new Directorate has been put in place consisting of the Principal, Deputy Principal (covering finance and administration) and Vice Principal (covering academic affairs). Unlike the old structure, the new Clerk to the Governors is an independent role but maintains a close working relationship with senior staff members. Renewing the appraisal system for the Directorate is an important task for the coming year.

This is my last report as Chair of the Remuneration Committee as I left the Board at the end of the academic year. I wish my successor well in meeting the continuing challenges facing the College.

Employment

Chair: Frances Byrnes

The Employment Committee met three times during 2011-12.

The Board appointed a new Principal, Janet Smith in November 2011 who took up the position in February 2012. The Committee would like to thank Veronica Lewis for her interim leadership prior to the new appointment being made.

The College has undergone a full staff restructure over the academic year, concluding at the end of July 2012. The changes have reshaped staffing in order to best deliver the student offering, whilst enhancing the resource allocated to student support and income-generating activities. The restructure was also necessary to achieve the cost savings target required for 2012-13.

Throughout the restructuring process, the College was very mindful that any period of change is difficult for all affected staff and, as such, tried to minimise the uncertainty as far as possible. The Committee has paid attention to proper responsibilities where there were redundancies and long term sickness, and encouraged effective relations with the recognised Unions.

Amidst all this it has been essential to monitor the Risk Register, which has reflected critical risks for staffing during the year. It was pleasing to see the risks relating to staffing subside.

Equality and Disability Provision (for staff and students) has been reviewed and a new Draft Policy on Trans Equality considered.

As the Chair of the Committee, I would like to thank my colleagues on the Committee and the Senior Management Team for their time and their contributions at the meetings in a year of very considerable staff and structural changes. Although I stepped down as Chair in June

NORTHERN SCHOOL OF CONTEMPORARY DANCE
FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2012

2012, due to work commitments, I'm delighted to be continuing as a member of the Committee.

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below:

	Date of Appointment	Term of Office	Until	Status of Appointment	Committees Served
Ms V Lewis MBE	28/04/2011		14/03/2012	Interim Principal	
Mr G Hukam			31/08/2011	Principal	
Ms J Smith	13/02/2012				
Ms K Tattersall	18/05/2011	4 years		Co-opted member	Chair: Corporation, Finance and Policy, Nominations Member: Remuneration
Mr F Hamilton MP	04/10/2000; Re-appointed 04/10/2008	4 years		Co-opted member	Member: Corporation, Finance and Policy
Ms J Jurica	16/03/2004; Re-appointed 15/03/2008 and 11/03/2012	1 year		Co-opted member	Chair: Audit Member: Corporation, Nominations
Mr D Honeybone	26/03/1998; Re-appointed 01/10/2010	4 years	31/07/2012	Business member	Vice-Chair: Corporation Chair: Remuneration Member: Audit, Nominations
Ms F Byrnes	01/07/2008; Re-appointed 01/07/2012	4 years		Business member	Chair: Employment (until 31/07/2012) Member: Corporation, Employment (from 01/08/2012)
Mr S Ellwood	16/10/2000; Re-appointed 17/10/2008	4 years		Business member	Member: Corporation, Employment, Remuneration
Ms P Lund	08/11/2007; Re-appointed 08/11/2011	4 years		Business member	Member: Corporation, Finance and Policy
Mr S Piasecki	11/03/2008; Re-appointed 11/03/2012	4 years		Business member	Member: Corporation, Audit
Mr A Nichols	02/07/2009	4 years		Business member	Member: Corporation, Finance and Policy, Employment
Mr P Flynn	01/01/2010	4 years		Business member	Member: Corporation, Audit
Ms J Hennessey	14/03/2012	4 years		Business member	Member: Corporation, Employment, Remuneration
Ms E Southworth	14/03/2012	4 years		Business member	Member: Corporation, Finance and Policy
Mr E Assandri	30/06/2004; Re-appointed 30/06/2008	4 years		Staff member	Member: Corporation, Finance and Policy
Mr C Wilkinson	23/10/2008	4 years		Staff member	Member: Corporation, Employment

The post of Interim Clerk to Governors was undertaken by Mr J Myerscough until 31 May 2012. Mrs S Johnson was appointed, on a permanent basis, to the role of Clerk to Governors from 01 June 2012.

On behalf of the College Governing Body

Sarah Johnson
Clerk to Governors
18 October 2012

Responsibilities of the Board of Governors

In accordance with the Charter of Incorporation, the Board of Governors of the College is responsible for the administration and management of the affairs of the College and is required to present audited financial statements for each financial year.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the College's Charter of Incorporation, the Statement of Recommended Practice (2007): Accounting in Higher Education Institutions (SORP) and applicable Accounting Standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Conservatoire for Dance and Drama and the Board of Governors of the College, the Board, 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 College and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Corporation has to ensure 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;
- financial statements are prepared on a going concern basis unless it is inappropriate to presume that the College will continue in operation. The Corporation is satisfied that the College has adequate resources to continue in operation for the foreseeable future: for this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

The Corporation has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England, via CDD, 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 there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and to prevent and detect fraud;
- secure the economical, efficient and effective management of the College's resources and expenditure.

Statement of Internal Control

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 against material misstatement or loss.

The system of internal control is based on an on-going process designed to identify the principle 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. This process has been in operation for the whole of the period for the year ended 31 July 2012. The system that monitors risk and controls has been embedded into the Committee structure and the Directorate for the whole of the year.

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College, together with other information such as performance against

funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues.

Statement of Internal Control continued

The Corporation meets each term, in line with the fixed cycle of meetings and also holds exceptional meetings and working parties as required.

The Corporation conducts its business through a number of Committees. Each Committee has terms of reference, which have been approved by the Corporation. These Committees are Employment, Remuneration, Finance and Policy, Audit and Nominations. Full minutes of all meetings, except those deemed to be confidential by the Corporation are available from the Clerk to the Corporation at:

Northern School of Contemporary Dance
98 Chapeltown Road, Leeds, LS7 4BH

The Clerk to the Corporation maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

All Governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chairperson and Principal are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for consideration of the Corporation as a whole. The Corporation has a Nominations Committee, consisting of three independent members of the Corporation and three non-Corporation members to represent stakeholders in the community. The Committee is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that the appropriate induction and on-going development is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the Northern School of Contemporary Dance and the Conservatoire for Dance and Drama. The Principal is also responsible for reporting to the Corporation any material weakness and breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood and the impact of those risks being realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Northern School of Contemporary Dance for the year ended 31 July 2012 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2012 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the governing body;
- regular reviews and updates of a rolling five-year financial plan;
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- the adoption of formal project management disciplines, where appropriate.

The Northern School of Contemporary Dance has an internal audit service provided by the Conservatoire for Dance and Drama (CDD). The same internal auditor visits each affiliate of the CDD. The work of the internal audit service is informed by reviewing areas on a cyclical basis using a three-year rolling plan, paying particular attention to risk. The internal auditor provides reports to the Audit Committee bi-annually, combined with follow-up reports addressing progress on points outstanding from previous visits.

Review of effectiveness

As the Governing Body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- We meet at regular intervals (four times a year) to consider the plans and strategic direction of the institution;
- We receive periodic reports from the Chair of the Audit Committee concerning internal control, and we require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- We have requested the Audit Committee provide oversight of the risk management process.

Review of effectiveness continued

The Audit Committee receives regular reports from our internal auditor, contracted to provide an internal audit service by CDD, which includes their independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with the recommendations for improvement.

A programme of risk awareness training has been undertaken; a system of key performance and risk indicators has been developed and an organisation-wide risk register is maintained in conjunction with the risk policy.

Auditors Report [\[to be printed on KPMG letterhead\]](#)

**INDEPENDENT AUDITORS REPORT TO THE GOVERNING BODY OF THE
NORTHERN SCHOOL OF CONTEMPORARY DANCE**

We have audited the College financial statements (the “financial statements”) of the Northern School of Contemporary Dance for the year ended 31 July 2012 which comprise of the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Governing Body and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report, and financial statements, to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the College as at 31 July 2012 and of the College's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, all material respects:

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

Matters on which we are required to report by exception

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

- the statement of internal control is inconsistent with our knowledge of the College.

Steve Clark

On behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Leeds Office, 1 The Embankment, Neville Street, Leeds, LS1 4DW

18 October 2012

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR FROM 1 AUGUST 2011 TO 31 JULY 2012

Continuing Operations

	Notes	12 months 2011/2012 £'000	12 months 2010/2011 £'000
Income			
Funding Council grants	2	1591	1643
Tuition fees and education contracts	3	899	856
Other operating income	4	138	95
Investment income	5	3	3
Total Income		2631	2597
Expenditure			
Staff costs	6	1587	1609
Other operating expenses	8	809	829
Depreciation	10	99	102
Total Expenditure		2495	2540
Surplus on continuing operations after depreciation of assets at cost and tax		136	57

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

FOR THE YEAR FROM 1 AUGUST 2011 TO 31 JULY 2012

	Notes	12 months 2011/2012 £'000	12 months 2010/2011 £'000
Surplus on continuing operations before tax		136	57
Historical Cost Surplus for the Year		136	57

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR FROM 1 AUGUST 2011 TO 31 JULY 2012

	Notes	12 months 2011/2012 £'000	12 months 2010/2011 £'000
Surplus on continuing operations after depreciation of assets at valuation & tax		136	57
Actuarial gain/(loss) in respect of pension scheme	16	(227)	187
Total recognised gains/(losses) relating to the period		<u>(91)</u>	<u>244</u>

BALANCE SHEET AS AT 31 JULY 2012

	Notes	2012 £'000	2011 £'000
Fixed Assets			
Tangible assets	10	1400	1486
		<u>1400</u>	<u>1486</u>
Current Assets			
Stock		6	3
Debtors	11	120	102
Cash at bank and in hand	18	1451	1338
		<u>1577</u>	<u>1443</u>
Creditors:			
Amounts falling due within one year	12	385	422
		<u>1192</u>	<u>1021</u>
Net current assets		1192	1021
Total assets less current liabilities		2592	2507
Net assets excluding pension liabilities		2592	2507
Pension liabilities	16	(558)	(307)
Net assets including pension liabilities		2034	2200
Deferred capital grant	13	1226	1301
Reserves			
Revaluation reserve	14	40	40
Income and expenditure account	15	768	859
		<u>808</u>	<u>899</u>
Total funds		2034	2200

The financial statements on pages 24 to 40 were approved by the Corporation on 18 October 2012 and were signed on its behalf by:

Kathleen Tattersall
Chair

Janet Smith
Principal

CASH FLOW STATEMENT

FOR THE YEAR FROM 1 AUGUST 2011 TO 31 JULY 2012

	Notes	12 months 2011/2012 £'000	12 months 2010/2011 £'000
Cashflow from operating activities	17	118	197
Returns on investments and servicing of finance	19	3	3
Capital expenditure and financial investment	19	(8)	(4)
Management of liquid resources	19	0	0
Financing	19	0	0
Increase/(Decrease) in cash in the period	18	113	196
Reconciliation of net cash flow to movement in net funds			
			£'000
Increase in cash in the period			113
Movement in net funds in the period			113
Net funds at 1 August 2011			1338
Net funds at 31 July 2012			1451

In this statement negative figures refer to cash outflows and all other figures are cash inflows to the College.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR FROM 1 AUGUST 2011 TO 31 JULY 2012

1. STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (2007) "Accounting in Further and Higher Education Institutions" and in accordance with applicable Accounting Standards.

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Recognition of Income

Income from contracts and other services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the year in which it is earned. The annual recurrent allocation from the HEFCE, the EFA and the SFA, which is intended to meet recurrent costs, is credited direct to the income and expenditure account. Income on leases is recognised in a straight line over the lease term.

Pension Schemes

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

Contributions to the TPS scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

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

Further details of the pension schemes are given in note 16.

Tangible Fixed Assets

a. Land and buildings

Land and buildings inherited from the Local Education Authority and acquired since incorporation are stated in the balance sheet at cost on the basis of the open market value with existing use. Freehold land is not depreciated. Freehold buildings are depreciated over the expected useful economic life to the College of 40 years.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

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

b. Equipment

Equipment costing less than £500 (2011: £500) per individual items in aggregate is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation.

Inherited equipment has been identified and is depreciated on a straight line basis over its remaining useful economic life to the College calculated on an individual basis. All other equipment is depreciated over its useful economic life as follows:

- general office furniture 20 per cent per year on a straight line basis.
- office plant and equipment, musical instruments and sound equipment 20 per cent per year on a straight line basis.
- computer equipment 33.3 per cent per year on a straight line basis.

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

Leased Assets

The College leases the basement of the Holy Rosary church which is used as a dance studio for the Foundation course. Expenditure on leases is recognised in a straight line over the lease term.

Stocks

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

Maintenance of Premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the year it is incurred. The College has a planned maintenance programme. The schedule is reviewed on an annual basis. The actual costs of carrying out planned maintenance are charged to the income and expenditure account as incurred.

Taxation

As an exempt charity the College benefits by being broadly exempt from Corporation tax on income it receives from tuition fees, interest and rents.

The College is exempted from levying VAT on most of the services it provides to students. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased.

Provisions

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

2. FUNDING COUNCIL GRANTS

	12 months 2011/2012 £'000	12 months 2010/2011 £'000
HEFCE recurrent grant	1290	1353
HEFCE other grants	116	122
YPLA/SFA recurrent grant – FE provision	141	129
YPLA/SFA other grants	0	0
Deferred capital grant released during the year:		
Buildings (note 13)	8	7
Equipment (note 13)	36	32
	1591	1643

3. TUITION FEES AND EDUCATION CONTRACTS

EDUCATION CONTRACTS

Local education authority	26	43
Other Education Contracts	211	226

TUITION FEES, CHARGES AND SUPPORT GRANTS

Full time student fees:		
Home and other European Union	625	553
Non-European Union	24	23
Further Education - Home and other European Union	13	11
Further Education - Non European Union	0	0
	899	856

4. OTHER OPERATING INCOME

Releases from deferred capital grants:		
Non Funding Council (note 13)	36	36
Other income generating activities	36	34
Other income	66	25
	138	95

5. INVESTMENT INCOME

Other interest receivable	3	3
	3	3

6. STAFF COSTS

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

	12 months 2011/2012 Number	12 months 2010/2011 Number
Teaching departments	16.7	16.2
Teaching support services	7.9	8.2
Administration and central services	10.7	11.2
Premises	2.1	2.1
Other income generating activities	1.7	2.1
	39.1	39.8
	£'000	£'000
Staff costs for the above persons		
Teaching departments	662	702
Teaching support services	243	245
Administration and central services	494	577
Premises	50	50
Research	0	0
Other income generating activities	24	35
Restructuring costs	114	0
	1587	1609
Wages and salaries	1278	1392
Social security costs	77	78
Other pension costs	94	106
FRS17 other movements	24	33
Restructuring costs	114	0
	1587	1609

7. EMOLUMENTS OF SENIOR POST HOLDERS

	2011/2012	2010/2011
For the year to 31 July		
Emoluments (including pension contributions and benefits in kind)	<u>£178,926</u>	<u>£152,944</u>
Emoluments of the principal (who is also the highest paid senior post holder):		
Salary	£29,343	£63,033
Pension Contribution	<u>£4,137</u>	<u>£8,888</u>
	<u>£33,480</u>	<u>£71,921</u>

A new Principal was appointed in February 2012. Whilst the College was operating with a vacancy, an interim arrangement was set in place with the Joint Principal of the Conservatoire for Dance and Drama.

The pension contributions in respect of the Principal and senior post holders are in respect of employer's contributions to the Teacher's Pension Scheme or the Local Government Pension Scheme and are paid at the same rate as for other employees.

7. EMOLUMENTS OF SENIOR POST HOLDERS continued

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

The number of senior post holders, including the Principal, who received emoluments excluding pension contributions, payments for loss of office and benefits in kind in the following ranges was:

	2011/2012 Number	2010/2011 Number
£35,001 to £40,000	0	1
£40,001 to £45,000	0	0
£45,001 to £50,000	0	0
£50,001 to £55,000	1	1
£55,001 to £60,000	1	0
£60,001 to £65,000	0	1

Overseas Activities

Costs of £389 (2011: £1,595) were incurred in the year in respect of overseas activities.

8. OTHER OPERATING EXPENSES

	12 months 2011/2012 £'000	12 months 2010/2011 £'000
Teaching departments	159	157
Teaching support services	102	117
Other support services	38	43
Administration and central support services	178	179
General education services	88	93
Premises costs	204	186
Planned maintenance	14	30
Research	0	0
Other income-generating activities	26	24
	809	829

Other operating expenses include:

Auditors remuneration		
- internal audit	0	0
- external audit	9	9
- other services from either external or internal audit	0	7
(Gains)/losses on disposal of tangible fixed assets	0	0

9. TAXATION

The members do not believe the College was liable for any Corporation tax arising out of its activities during the year.

10. TANGIBLE FIXED ASSETS

	Land and buildings Freehold	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2011	1917	939	2856
Additions	0	13	13
Disposals	0	(38)	(38)
At 31 July 2012	1917	914	2831
Depreciation			
At 1 August 2011	570	800	1370
Charge for year	47	52	99
Eliminated in respect of disposals	0	(38)	(38)
At 31 July 2012	617	814	1431
Net book value at 31 July 2012	1300	100	1400
Net book value at 31 July 2011	1347	139	1486
Inherited	40	0	40
Financed by Funding Council capital grants	234	74	308
Financed from own resources	108	26	134
Financed by other capital grants	918	0	918
	1300	100	1400

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained. Land and buildings were valued for the purposes of the 1997/98 financial statements at open market value with existing use by Chestertons, a firm of independent chartered surveyors, in accordance with the Practice Statements and Guidance Notes set out in the Appraisal and valuation Manual of the Royal Institution of Chartered Surveyors (September 1995, as amended).

Some of the College buildings are Grade II listed inside and out. Due to the particular nature of the College and its location in a mainly suburban residential area the open market value is below the build cost.

Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Buildings with a net book value of £103,093 (2011: £107,089) and a cost of £158,956 (2011: £158,956) have been funded from Treasury sources: should these particular buildings be sold, the College would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Higher Education Funding Council for England.

11. DEBTORS

	2011/2012 £'000	2010/2011 £'000
Amounts falling due within one year		
Trade debtors	51	34
Sundry debtors	1	10
Prepayments and accrued income	68	58
	120	102

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Payments received on account	28	28
Trade creditors	21	44
Other taxation and social security	37	40
Other creditors	96	140
Accruals	203	170
	385	422

13. DEFERRED CAPITAL GRANTS

	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2011			
Land and buildings	241	954	1195
Equipment	106	0	106
Cash received:			
Land and buildings	0	0	0
Equipment	5	0	5
Released to income and expenditure account			
Land and buildings (notes 2 and 4)	(8)	(36)	(44)
Equipment (note 2)	(36)	(0)	(36)
At 31 July 2012			
Land and buildings	233	918	1151
Equipment	75	0	75
Total	308	918	1226

14. REVALUATION RESERVE

	£'000
At 1 August 2011	40
Revaluations in the year	0
Transfer from revaluation reserve to income and expenditure account	0
At 31 July 2012	40

15. INCOME AND EXPENDITURE ACCOUNT RESERVE

	2012	2011
	£'000	£'000
At 1 August	859	615
Surplus/(deficit) retained for the year	136	57
Additional (loss)/gain in respect of pension scheme	(227)	187
At 31 July	768	859
Balance represented by:		
Pension reserve	(558)	(307)
Income & expenditure reserve excluding pension reserve	1326	1166
At 31 July	768	859

16. PENSION AND SIMILAR OBLIGATIONS

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the West Yorkshire Pension Fund (WYPF).

Teachers' Pension Scheme (TPS)

The TPS is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. The charge to the income and expenditure account in relation to this scheme for 2011/12 was £54,742.

FRS 17

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme because of the mutual nature of the scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly the College has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out the information available on the deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.

West Yorkshire Pension Scheme (WYPS)

The WYPF is a funded defined-benefit pension, with assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2012 was £39,662. The agreed contribution rates for 2012/13 are 10.7% for employers and range from 5.5% to 7.5% for employees (based on salary bands).

The following information is based upon a full actuarial valuation of the fund at 31 March 2004 updated as at 31 July each year up to 31 July 2012 by a qualified, independent actuary. The major assumptions used by the actuary were:

	31 July 2012	31 July 2011	31 July 2010
RPI Inflation	3.1%	3.7%	3.6%
CPI Inflation	2.1%	2.8%	2.9%
Rate of increase in salaries	4.6%	5.2%	5.35%
Rate of increase in pensions	2.1%	2.8%	2.9%
Rate of increase to deferred pensions	2.1%	2.8%	2.9%
Discount rate for liabilities	4.1%	5.3%	5.5%

16. PENSION AND SIMILAR OBLIGATIONS (continued)

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

	31 July 2012	31 July 2011
Retiring today		
Males	22.0	21.9
Females	24.1	24.0
Retiring in 20 years		
Males	23.8	23.7
Females	26.1	26.0

The assets in the scheme and the expected rates of return were:

	rate of return expected at 31 July 2012	31 July 2012 £'000	rate of return expected at 31 July 2011	31 July 2011 £'000	rate of return expected at 31 July 2010	31 July 2010 £'000
Equities	7.5%	750	7.9%	736	8.2%	619
Government Bonds	2.5%	143	3.9%	117	4.2%	117
Other Bonds	3.2%	61	4.7%	40	4.9%	34
Property	7.0%	39	7.4%	36	7.7%	34
Cash/Liquidity	1.4%	30	1.5%	21	1.4%	22
Other	7.5%	50	7.9%	56	8.2%	58
Total market value of College assets		<u>1073</u>		<u>1006</u>		<u>884</u>

	2012 £'000	2011 £'000	2010 £'000
College's estimated asset share	1073	1006	884
Present value of scheme liabilities	(1631)	(1313)	(1345)
(Deficit)/ surplus in the scheme	<u>(558)</u>	<u>(307)</u>	<u>(461)</u>

The following amounts have been recognised in the performance statements in the year to 31 July 2012 under the requirements of FRS17:

Operating profit:

	2012 £'000	2011 £'000
Service cost	(64)	(67)
Total operating charge	<u>(64)</u>	<u>(67)</u>

Other financing income:

	2012 £'000	2011 £'000
Expected return on pension scheme assets	72	65
Interest on pension scheme liabilities	(72)	(76)
Net return	<u>0</u>	<u>(11)</u>

Statement of total recognised gains and losses (STRGL):

	2012 £'000	2011 £'000
Actual return less expected return on pension scheme assets	(227)	187
Experience gains and losses arising on the scheme liabilities	0	0
Actuarial gain/(loss) recognised in STRGL	<u>(227)</u>	<u>187</u>

16. PENSION AND SIMILAR OBLIGATIONS (continued)

Movement in deficit during year:	2012 £'000	2011 £'000
Deficit in scheme at beginning of year	(307)	(461)
Movement in year:		
Current service charge	(64)	(67)
Contributions	40	45
Exceptional pensions past service credit	0	0
Net interest/return on assets	0	(11)
Actuarial gain or (loss)	(227)	187
Deficit in scheme at end of year	<u>(558)</u>	<u>(307)</u>

Asset and Liability Reconciliation:	2012 £'000	2011 £'000
Liabilities at start of period	1313	1345
Service cost	64	67
Interest cost	72	76
Employee contributions	23	24
Actuarial (gains)/loss	172	(164)
Benefits paid	(13)	(35)
Liabilities at end of period	<u>1631</u>	<u>1313</u>

Asset and Liability Reconciliation:	2012 £'000	2011 £'000
Assets at start of period	1006	884
Expected return on assets	72	65
Actuarial gain/(loss)	(55)	23
Employer contributions	40	45
Employee contributions	23	24
Benefits paid	(13)	(35)
Assets at end of period	<u>1073</u>	<u>1006</u>

History of experience gains or losses:	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Difference between the expected and actual returns on assets:					
Amount	(55)	23	63	(87)	(80)
% of scheme assets	5.1	2.3	7.1	11.7	10.8
Experience gains and losses on scheme liabilities:					
Amount	2	152	3	(1)	(32)
% of scheme assets	0.2	15.1	0.3	0.1	2.9
Total amounts recognised in statement of total recognised gains and losses:					
Amount	(227)	187	169	(179)	(209)
% of scheme liabilities	13.9	14.2	12.6	13.7	19.1

17. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Notes	2012 £'000	2011 £'000
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and tax	15	136	57
Depreciation	10	99	102
Deferred capital grants released to income	2 & 4	(80)	(75)
Loss on disposal of tangible assets		0	0
Pension cost less contributions payable		24	33
(Increase)/Decrease in stocks		(3)	0
(Increase)/Decrease in debtors	11	(18)	(2)
Increase/(Decrease) in creditors	12	(37)	85
(Decrease) in provisions		0	0
Interest receivable	5	(3)	(3)
Net cash inflow from operating activities		118	197

18. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2011 £'000	Cash flows £'000	At 31 July 2012 £'000
Cash at bank and in hand	1338	113	1451
Total	1338	113	1451

19. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2012 £'000	2011 £'000
Returns on investments and servicing of finance:		
Interest received	3	3
Net cash flow from returns on investments and servicing of finance	3	3
Capital expenditure and financial investment:		
Purchase of tangible fixed assets	(13)	(47)
Deferred capital grants received	5	43
Net cash outflow for capital expenditure and financial investment	(8)	(4)
Net cash inflow/(outflow) from management of liquid resources	0	0
Net cash inflow/outflow from financing	0	0

20. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events.

21. CAPITAL COMMITMENTS

	2012 £'000	2011 £'000
Commitments contracted for at 31 July 2012	0	0
Authorised but not contracted for at 31 July 2012	0	0

22. FINANCIAL COMMITMENTS

The College has operating lease commitments in respect of land and buildings for the 2011/12 financial year on leases expiring:

	2012 £'000	2011 £'000
Land and buildings		
Expiring within one year	4	0
Expiring within two and five years inclusive	0	10
Expiring in over five years	0	0
	4	10

23. FRS 8 – RELATED PARTY DISCLOSURES

Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors will have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arms-length and in accordance with the College's financial regulations and normal procurement procedures.

The wife and son of the Principal, who was employed until 31 August 2011, have been employed during the year on terms which are equal to those given to other staff undertaking the same functions within the College.

The College is an affiliate of the Conservatoire for Dance and Drama (CDD) through which funding is received.

24. ACCESS FUNDS

	2011/2012 £'000	2010/2011 £'000
Funding Council grants	63	57
Disbursed to students	(58)	(55)
Audit fees	0	0
Balance unspent at 31 July 2012	5	2

24. ACCESS FUNDS (continued)

Funding Council grants are available solely for students: the College acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure account. The unspent balance of £5K is repayable to the awarding bodies, the Education Funding Agency (EFA) and Skills Funding Agency (SFA).