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The logo consists of a thin green arc that starts on the left and curves upwards and to the right, ending above the word 'Northern'.

# Northern School of Contemporary Dance

REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDING  
31 JULY 2017

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NORTHERN SCHOOL OF CONTEMPORARY DANCE  
FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2017

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## STRATEGIC REPORT

The Northern School of Contemporary Dance is one of eight specialist schools delivering world-leading education and vocational training through the Conservatoire of Dance and Drama. The School continues to thrive and has now completed another year of both educational and artistic success.

### *Review of the year*

We are very pleased to report another year of outstanding success and significant progress. As part of the Conservatoire of Dance and Drama, we achieved Gold standard in the first ever Teaching Excellence Framework assessments and a ranking of 4<sup>th</sup> out of 138 participating HE institutions. The success of the School is most evident once again in the outstanding results achieved by our students.

The level of attainment of our students continues to be exceptional:

- BA in Dance (Contemporary) – the final year cohort of 49 students graduated, with 96% of our students obtaining a 2.1 degree or above.
- MA in Contemporary Dance Performance – all 20 students (our largest ever cohort) achieved awards, 6 students were awarded a PGDip leaving at this stage of the award to take up roles in the dance world, with the remaining 14 students all being awarded an MA, 13 achieving a distinction and 1 a merit.
- Access to Higher Education Diploma – 25 students graduated with the full diploma and a further 3 students with course credits.

The pre-vocational Centre for Advance Training for talented children and young people aged 13 to 18, which is run in conjunction with Northern Ballet, continues to flourish and this year the number of places we offered on the scheme was 62 over the three year groups.

The Learning and Participation team continue to provide an extensive range of opportunities for schools, community groups and young people. We are proud of our pioneering investment in widening participation, outreach and other activities which aims to enable as many people as possible, from diverse backgrounds and of all abilities, to engage in dance as audience members and participants.

Our profile in the dance industry and beyond, together with our academic results, is a testament to the high quality of education provided at the School and the skill and dedication of our teaching staff. The education we provide combines technical rigour and discipline with an invitation to our students to become both creative and innovative in their dance practice.

The receipt of the Institute Specific Targeted Allocation from the Higher Education Funding Council, that recognises our world-leading standing, enables the school to invest in an intensive, conservatoire standard education and professional preparation for our students.

This investment in our student experience includes providing longer academic terms and higher levels of contact hours per week than university dance degrees. Our extensive enrichment programmes provide access to a variety of industry leading practitioners, visiting artists and choreographers. We provide students with access to the performance spaces and studios for individual rehearsal and development. We provide a wide range of support for student health and wellbeing specifically designed to meet the needs of aspiring dance artists.

We also run collaborative projects with other member Schools of the Conservatoire of Dance and Drama and Leeds based HE institutions as well as partnering with a number of other dance organisations in the UK, Europe and the wider world. Our career preparation and development, together with our extensive artistic network ensures that graduates are equipped with the necessary skills to obtain employment in a competitive industry.

## **STRATEGIC REPORT (*continued*)**

The Riley Theatre continues to serve the community and wider dance audience, being a creative dynamic hub and performance venue which this year hosted a wide range of performances. These include community programmes and showcases for our Learning and Participation students, our graduation performances and those of our postgraduate dance company VERVE. In addition we hosted Northern Connections and European Connections, a distinctive programme of work by both UK and European choreographers funded by the Arts Council.

### ***Strategic Developments***

A new Strategic Plan for 2017-22 was delivered and approved by the Board of Governors in January 2017 and it can be seen on our website. This plan will enable us to build on our reputation and success whilst recognising the challenging and uncertain external environment in which the HE sector currently operates.

In common with other HE institutions, we continue to face changes in the external environment, the key challenge being Brexit with its potential implications for our School. Over 30% of our students and many of our staff come from the EU and beyond helping to create our unique and vibrant culture. We continue to monitor developments and lobby the Government via the Conservatoire of Dance and Drama.

We are pleased to note a 6% rise on applications against a backdrop of a small decline in overall university applications for entry in 2017. In delivering our overseas recruitment strategy, we held additional auditions in Hong Kong and Singapore as well as extending our European locations. We will continue to actively promote, monitor and manage applications to the School.

There have been a number of major developments which will impact future years and strengthen our provision of education to degree level and beyond:

- The Conservatoire for Dance and Drama is currently preparing an application for Taught Degree Awarding powers so that degrees may be awarded in house rather than via the University of Kent and expects to make the application in 2018.
- In making the creative case for diversity, the School continues with its mission to widen participation and create access routes into dance at all levels. We aim to remove barriers to participation for young people who find themselves at a disadvantage due to their background, socio economic circumstances, race, sexuality or physicality. We are grateful to all our donors for helping to make this possible.
- The School applied for four year National Portfolio Funding for its Riley Theatre and in June 2017 we were delighted to receive an award from the Arts Council which will enable us to use our theatre to embed artist development and visiting professional performance programming into our annual programming, as well as introducing performances for children and family audiences. It also means we can champion the work of the Children and Young People's Network North.
- The School continues to seek out a solution to the need to expand our present estate and upgrade our facilities. We continue to invest in our current facilities maintaining and presenting them to the highest standard whilst continuing our search for options for expansion and have commissioned further work on these options in order to move this work forwards.

## **STRATEGIC REPORT *(continued)***

### ***Financial Review***

The School has retained an operating surplus of £274K (2016: £482K). In addition, a surplus of £295K (2016: deficit £377K) arose on the West Yorkshire Pension Fund and was also credited to reserves via the statement of comprehensive income.

In total, an amount of £569K (2016: £112K) was added to reserves with the year-end balance being £2,525K (2016: £1,956K). The School remains in a healthy financial position both in relation to the operating surplus and the balance on reserves.

The income of the School fell by 1.7 % from £3,201K to £3,147K primarily due to a small fall in grants income. The costs rose by 5.5% from £2,722K to £2,875K, this mainly related to the rise in staff costs following the rise in employer's pension contributions and the withdrawal of the national insurance rebates.

The School's key financial targets are to achieve an operating surplus of 3% of income (being approximately £100K) and to retain a minimum balance of seven months working capital (being approximately £1,700K). In both cases the targets are comfortably exceeded.

The School has agreed and adopted a reserves policy whereby we retain a minimum of seven months working capital in reserves, which is considered both prudent and good practice in the HE Sector. The reserves policy enables the School to meet on-going commitments and cash-flow needs and also to manage the liability associated with the West Yorkshire Pension Fund, where we need to monitor and manage the volatility in valuations.

The School does not currently carry any mortgage or commercial lending costs and so expects that any further surplus funds would potentially be set aside to invest in the next phase of expansion or redevelopment of our property requirements.

### ***Principal Risks and Uncertainties***

The School has embedded a system of internal control, which includes financial and operational control and risk management which is designed to protect both the School's assets and reputation.

A risk register is maintained at the School and is reviewed and updated as needed at each cycle of committee meetings throughout the year, specific areas of risk are also reviewed by the Finance Committee and the Academic Board. The risk register identifies the impact of key risks and assesses the likelihood of those risks occurring using a consistent scoring system to assess overall risk. The actions needed to reduce and mitigate those risks are then identified and prioritised by the School.

**On behalf of the members of the Corporation on 17 October 2017**

**Clive Macdonald**  
***Chair of Governors***

**Janet Smith MBE**  
***Principal and Artistic Director***

## **DIRECTORS' REPORT**

### **Legal Status**

The Corporation was established under the Education Reform Act 1988 for the purpose of conducting The Northern School of Contemporary Dance (NSCD). The powers of a Higher Education Corporation (HEC) are defined in Section 124 of the 1988 Act as amended by the Further and Higher Education (FHE) Act 1992, and subject to any relevant regulations, orders or directions made by the Secretary of State or Privy Council. These powers include the power to provide higher and further education and to carry out research and to publish the results of such research.

The School 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 a constituent school of the Conservatoire for Dance and Drama (CDD).

### **Members of the Corporation Governing Body**

The members who served on the Corporation's governing body during the year and up to the date of signature of this report were as listed on Page 9.

### **Mission Statement**

**Our Vision** is to be a world leading centre for dance education and development.

**Our Mission** is to provide an inspirational learning experience, from our first contact through into the profession, enabling aspiring dance artists and dance professionals, regardless of background, to shape the future of dance.

### **Our Values:**

- The transforming power of dance and arts education, to uplift, inspire, stimulate our emotions and help us create a tolerant and cohesive society.
- Inclusive learning and collaboration in a spirit of mutual respect and generosity.
- Curiosity, self-reflection and open-mindedness.
- Creative risk taking, innovation and investment in on-going artist and art form development.
- Aspiration, self-motivation and dedication in striving for excellence.
- Diversity - our differences as well as the things that we have in common, and that diversity inspires creativity and enriches our lives.
- Our relationship to local, regional, national and international communities and the wider dance ecology.
- The nurturing and investment that leads to independence and resilience.
- Using resources in a way that is responsible and environmentally sustainable.

## **DIRECTORS' REPORT *(continued)***

### **Public Benefit Statement**

In shaping our objectives and planning our activities the School has considered the Charity Commission Guidance on public benefit. The School is confident that it fully satisfies the public benefit requirements of the Charity Commission as there is a direct benefit to students from its activities and also benefit to the public at large. The primary public value delivered by the School within the framework of the Conservatoire for Dance and Drama is that it produces world-class alumni who go on to shape the future of the performing arts.

Our commitment to widening access means we invest significant sums in resources to support students and by direct payment of financial support. 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. The Riley Theatre and a range of dance studios are open to hire at reduced rates to local community groups and charities as well as our alumni and emerging dance artists.

### **Employees and Diversity**

The School is committed to encouraging and enabling staff to achieve their full potential and aims to ensure that no job applicant, employee or former employee receives less favourable treatment on the grounds of age, carer responsibilities, disabilities, class, marital or civil partnership status, gender identity, pregnancy and maternity, race, religion or belief, sex, sexual orientation, or any other category where discrimination cannot be reasonably justified.

### **Employee Involvement**

It is the School's policy to communicate with and involve all employees, subject to commercial and practical limitation, in matters affecting their interests at work and to inform them of the School's performance. Employees are provided with information about the School, which is supplemented by regular team briefings and staff forums as well as its website, intranet and internal email.

### **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 School'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 School's auditors are aware of that information.

### **Going Concern**

The financial position of the School, its cash flow and liquidity are described in the Financial Statements and accompanying Notes. The School's forecasts and financial projections indicate that it will be able to operate for the foreseeable future. Accordingly, the School believes that it 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.

**On behalf of the members of the Corporation on 17 October 2017**

**Clive Macdonald**  
*Chair of Governors*

**Janet Smith MBE**  
*Principal and Artistic Director*

**PROFESSIONAL ADVISERS**

External auditors	KPMG LLP, 1, Sovereign Square, Sovereign St, Leeds LS1 4DA
Internal auditor	KCG, c/o Kingston University, KH1010 Kenry House, Kingston Hill, Kingston on Thames, Surrey KT2 7LB
Bankers	HSBC Bank plc, 108 Harrogate Road, Leeds, LS7 4NU Barclays Bank plc, Commercial Street, Leicester, LE87 2BB
Solicitors	Eversheds LLP, Bridgewater Place, Water Lane, Leeds, LS11 5DR



## MEMBERS OF THE CORPORATION

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
Mr Mark Baker	21/07/2016	4 years		Staff member	
Ms Pam Bone	11/07/2013 Re-appointed 11/07/2017	4 years		Independent member	Member: Finance
Mr David Braham	20/10/2016	4 years		Independent member	
Ms Frances Byrnes	01/07/2008 Re-appointed 01/07/2012 Re-appointed 01/07/2016	1 year	20/07/2017	Independent member	Member: Remuneration
Ms Tamsin Cooper	16/10/2014	4 years		Independent member	Member: Remuneration
Ms Stephanie Ferguson	05/02/2013	4 years	04/02/2017	Independent member	Member: Audit
Ms Hana Goseling	19/01/2017	4 years		Staff member	
Mr Roger Harington	14/03/2013 Re-appointed 19/01/2017	4 years		Co-opted member	Member: Audit
Ms Charlotte Jones	21/07/2016	To 31/07/2017	31/07/2017	Student member	
Ms Pam Lund	11/08/2007 Re-appointed 08/11/2011 Re-appointed 07/11/2015 Re-appointed 19/03/2017	4 years		Independent member	Vice-chair – Board of Governors Chair: Finance Member: Remuneration
Mr Clive Macdonald	23/01/2014	4 years		Independent member	Chair: Board of Governors, Remuneration, Nominations Member: Finance
Mr Ben Mitchell	01/09/2016	4 years		Independent member	Member: Finance
Ms Vicki Pollard	16/10/2014	4 years		Independent member	Chair: Audit
Ms Janet Smith	13/02/2012			Principal	Member: Finance, Nominations
Prof Randall Whittaker	19/03/2015	4 years	27/04/2017	Co-opted	
Mr Mark Wood	19/03/2015	4 years		External Expert Member – Audit Committee	Member: Audit

**On behalf of the Governing Body**

**Sarah Johnson**  
**Clerk to Governors**

## **STATEMENT OF CORPORATE GOVERNANCE**

The School is committed to exhibiting best practice in all aspects of corporate governance.

The School aims to conduct its business in accordance with the principles identified in the Committee on Standards in Public Life (Nolan Committee) and the Committee of University Chairs (CUC) Higher Education Code of Governance (the Code).

The School is aware of and meets its obligation under its Financial Memorandum with the Conservatoire for Dance and Drama.

Throughout the year ended 31 July 2017, the School has been in compliance with all the provisions set out in Section 1 of the UK Corporate Governance Code issued by the London Stock Exchange in September 2012, in so far as they relate to higher education.

The Board of Governors formally reviews its effectiveness in line with the Code's recommendation that reviews take place every four years.

### **Corporate Governance Structure**

The School's Board of Governors comprises of lay members, students, and employees appointed under the statutes of the School, the majority of whom are non-executive. The roles of chair and vice-chair of the Board of Governors are separated from the role of the School's chief executive, the Principal. The matters specially reserved to the Board of Governors for decision are set out in the statutes of the School. The Board of Governors holds to itself the responsibilities for the on-going strategic direction of the School, approval of major developments and the receipt of regular reports from the executive officers on the day-to-day operations of its business.

The Board of Governors meets at least once per term in line with a fixed cycle of meetings and also holds exceptional meetings and working groups as required. The Board of Governors met four times during 2016/17. Full minutes of all meetings, except those deemed to be confidential by the Corporation are available from the Clerk to the Governors at:

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

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

All governors are able to take independent professional advice in furtherance of their duties at the School's expense and have access to the Clerk to the Governors, 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 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 Chair and Principal are separate.

## **STATEMENT OF CORPORATE GOVERNANCE *(continued)***

### **Committee Structure**

The Board has four committees established - Audit, Remuneration, Nominations and Finance. All of the committees are formally constituted with terms of reference and comprise mainly of lay members of the Board of Governors, one of whom is the chair.

The Board of Governors has designated one of its members as lead governor for safeguarding.

#### ***The Audit Committee***

The Audit Committee considers detailed reports together with recommendations for the improvement of the School'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 School's business and monitors adherence to the regulatory requirements. The committee oversees the School's risk management process on behalf of the Board of Governors. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the committee.

The Audit Committee met three times during the year and met with the School's external and internal auditor in attendance.

#### ***The Remuneration Committee***

The Remuneration Committee determines the remuneration of senior post holders, including the Principal and makes recommendations to the Board of Governors regarding the remuneration of all other staff.

The Remuneration Committee met once during 2016/17.

#### ***The Nominations Committee***

The Nominations Committee considers nominations for filling vacancies in the Board of Governors' membership under the School's Instrument of Government and makes recommendations to the Board of Governors.

The Nominations Committee met once during 2016/17.

#### ***The Finance Committee***

As well as monitoring and reviewing the financial performance of the School the Finance Committee considers all matters of financial strategy and policy and makes recommendations to the Board of Governors as appropriate.

The Finance Committee met four times during 2016/17.

#### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for consideration of the Corporation as a whole. The Corporation is responsible for ensuring that 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.

**Janet Smith**  
***Principal and Artistic Director***

## **STATEMENT OF BOARD OF GOVERNORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT AND THE FINANCIAL STATEMENTS**

The Board of Governors are responsible for preparing the Strategic Report and the financial statements in accordance with the requirements of the Higher Education Funding Council for England's Memorandum of Assurance and Accountability issued by HEFCE and applicable law and regulations.

They are required to prepare School financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Memorandum of Assurance and Accountability further requires the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of HEFCE's Accounts Direction to higher education institutions. The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the School and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent School financial statements, the directors are required to:

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

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the parent School's transactions and disclose with reasonable accuracy at any time the financial position of the parent School and enable them to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Board of Governors are also responsible under the Memorandum of Assurance and Accountability for:

- ensuring that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCE may from time to time prescribe;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the School's resources and expenditure.

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

## 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 or of effectiveness.

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 2017. The system that monitors risk and controls has been embedded into the committee structure and the leadership team 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 School, 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.

### ***Scope of responsibility***

The Corporation is ultimately responsible for the School's system of internal control and for reviewing its effectiveness.

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 School'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 based on an on-going process designed to identify and prioritise the risks to the achievement of School 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 2017 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 School 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 School's significant risks that has been in place for the period ending 31 July 2017 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.

## **STATEMENT OF INTERNAL CONTROL (*continued*)**

The School has an internal audit service provided through the Conservatoire for Dance and Drama (CDD), the same internal auditor visits each constituent school of the CDD. The work of the internal audit service is informed by reviewing key areas of risk, control and governance. The internal auditor provides regular reports to the Audit Committee.

### ***Review of effectiveness of the System of Internal Control***

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

- Meet at regular intervals (at least once every term, extending to four over a full year) to consider the plans and strategic direction of the institution;
- Receive periodic reports from the Chair of the Audit Committee concerning internal control, and 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 Audit Committee provides oversight of the risk management process.

The Audit Committee receives regular reports from the internal auditor which includes their independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement.

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.

## **INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF NORTHERN SCHOOL OF CONTEMPORARY DANCE**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the financial statements of Northern School of Contemporary Dance ("the School") for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the School's affairs as at 31 July 2017, and of the School's income and expenditure, gains and losses and changes in reserves, and the School's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2016-17 financial statements.

#### **Basis for opinion**

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

#### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### **Other information**

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

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

#### **Governing Body responsibilities**

As explained more fully in their statement set out on page 12, the Governing Body is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent School's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent School or to cease operations, or has no realistic alternative but to do so.

## **INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF NORTHERN SCHOOL OF CONTEMPORARY DANCE (*continued*)**

### **Auditor's responsibilities**

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

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

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the School for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the School's Statutes; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

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

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 Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the School and the Governing Body for our audit work, for this report, or for the opinions we have formed.

**Clare Partridge**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA



## STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

Year Ended 31 July 2017

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
<b>Income</b>			
Tuition fees and education contracts	2	1,922	1,956
Funding body grants	3	1,097	1,088
Other income	4	124	149
Investment income	5	4	8
<b>Total income before endowments and donations</b>		<b>3,147</b>	<b>3,201</b>
Donations and endowments	13	2	3
<b>Total income</b>		<b>3,149</b>	<b>3,204</b>
<b>Expenditure</b>			
Staff costs	6	1,699	1,591
Other operating expenses	7	1,085	1,043
Depreciation	9	91	88
<b>Total expenditure</b>		<b>2,875</b>	<b>2,722</b>
<b>Surplus / (Deficit) before tax</b>		<b>274</b>	<b>482</b>
Taxation	8	-	-
<b>Surplus / (Deficit) for the year</b>		<b>274</b>	<b>482</b>
Actuarial (loss)/gain in respect of pension schemes	20	295	(370)
<b>Total comprehensive income for the year</b>		<b>569</b>	<b>112</b>
Represented by:			
Endowment comprehensive income for the year		2	(3)
Unrestricted comprehensive income for the year		567	115
		<b>569</b>	<b>112</b>

## STATEMENT OF CHANGES IN RESERVES

Year ended 31 July 2017

Northern School of Contemporary Dance	Income and expenditure account		Total
	<i>Endowment</i>	<i>Unrestricted</i>	
	£'000	£'000	£'000
<b>Balance at 1 August 2015</b>	13	1,831	1,844
Surplus/(deficit) from the income and expenditure statement	(3)	485	482
Other comprehensive income	-	(370)	(370)
<b>Balance at 31 July 2016</b>	<b>10</b>	<b>1,946</b>	<b>1,956</b>
<b>Balance at 1 August 2016</b>	10	1,946	1,956
Surplus/(deficit) from the income and expenditure statement	2	272	274
Other comprehensive income	-	295	295
<b>Balance at 31 July 2017</b>	<b>12</b>	<b>2,513</b>	<b>2,525</b>

## BALANCE SHEET

As at 31 July 2017

	Notes	As at 31 July 2017 £'000	As at 31 July 2016 £'000
<b>Non-current assets</b>			
Fixed assets	9	<b>1,282</b>	1,340
		<b>1,282</b>	1,340
<b>Current assets</b>			
Stock		1	2
Trade and other receivables	10	36	108
Cash and cash equivalents	14	<b>3,498</b>	3,246
		<b>3,535</b>	3,356
Less: Creditors: amounts falling due within one year	11	<b>(683)</b>	(926)
<b>Net current (liabilities)/assets</b>		<b>2,852</b>	2,430
<b>Total assets less current liabilities</b>		<b>4,134</b>	3,770
Creditors: amounts falling due after more than one year	12	<b>(943)</b>	(973)
<b>Provisions</b>			
Pension provisions	20	<b>(666)</b>	(841)
<b>Total net assets</b>		<b>2,525</b>	1,956
<b>Unrestricted Reserves</b>			
Income and expenditure reserve - endowment reserve	13	12	10
Income and expenditure reserve - unrestricted		<b>2,513</b>	1,946
<b>Total Reserves</b>		<b>2,525</b>	1,956

The financial statements were approved by the Governing Body on 17 October 2017 and were signed on its behalf on that date by:

**Clive Macdonald**  
*Chair of Governors*

**Janet Smith MBE**  
*Principal and Artistic Director*

## STATEMENT OF CASH FLOWS

Year ended 31 July 2017

		Year ended 31 July 2017	Year ended 31 July 2016
	Notes	£'000	£'000
<b>Cash flow from operating activities</b>			
Surplus for the year		274	482
<b>Adjustment for non-cash items</b>			
Depreciation	9	91	88
Decrease/(increase) in stock		1	(1)
Decrease/(increase) in debtors	10	72	(24)
Increase/(decrease) in creditors	11	(273)	72
Pension costs less contributions payable	21	120	75
<b>Adjustment for investing or financing activities</b>			
Capital grant receipts		(23)	(16)
Investment income	5	(4)	(8)
Endowment income	13	(2)	(3)
<b>Net cash inflow from operating activities</b>		<b>(18)</b>	<b>665</b>
<b>Cash flows from investing activities</b>			
Capital grant receipts		23	16
Investment income	5	4	8
Payments made to acquire fixed assets	9	(33)	(152)
		<b>(6)</b>	<b>(128)</b>
<b>Cash flows from financing activities</b>			
Endowment cash received	13	2	3
		<b>2</b>	<b>3</b>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>			
	14	252	540
Cash and cash equivalents at beginning of the year	14	3,246	2,706
Cash and cash equivalents at end of the year	14	3,498	3,246

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF ACCOUNTING POLICIES YEAR ENDED 31 JULY 2017

#### **Basis of Preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards FRS102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

#### **Income Recognition**

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Income and Expenditure over the period in which the students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure is not deducted from income.

Investment income is credited to the Statement of Income and Expenditure on a receivable basis.

The funds that the School receives as a paying agent on behalf of funding bodies are excluded from income and expenditure as we incur minimal risk and derive minimal economic benefit related to the transaction.

- **Grant Funding**

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the School recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due with one year and after one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the School is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

- **Donations and Endowments**

Donations and endowments with donor imposed restrictions are recognised in income when the School is entitled to the funds. Income is retained within a restricted reserves until such a time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserves transfer. Donations with no restrictions are recognised in income when the School is entitled to the funds.

- **Capital Grants**

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the School is entitled to the funds, subject to any performance related conditions being met.

#### **Accounting for Retirement Benefits**

The School offers two defined benefit schemes. Retirement benefits to employees of the School are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS).

Under these defined benefit plans the School's obligation is to provide the agreed benefits to current and former employees, and the actuarial risk and investment risk are borne, in substance, by the School. The School therefore recognises a liability for its obligations under defined benefit plans net of plan assets.

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 School in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll values. 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 20.

### **Employee Benefits**

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

### **Tangible Fixed Assets**

- **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 as it is considered to have an indefinite useful life.

Freehold buildings are depreciated over the expected useful economic life of 40 years.

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.

- **Equipment**

Equipment costing less than £500 (2014: £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.

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

General office furniture	5 years
Office plant and equipment	5 years

Computer equipment                      3 years

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

#### **Leased Assets**

The School leases the basement of the Holy Rosary church which is used as a dance studio. Expenditure on operating leases is recognised on a straight line basis over the term of the lease.

#### **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.

#### **Taxation**

The School is an exempt charity so benefits by being broadly exempt from Corporation tax on income it receives from tuition fees, interest and rents.

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

#### **Provisions**

Provisions are recognised when the School 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. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
<b>EDUCATION CONTRACTS</b>		
Local education authority	35	30
Other Education Contracts	219	241
<b>TUITION FEES, CHARGES AND SUPPORT GRANTS</b>		
Full time student fees:		
Home and other European Union	1,425	1,421
Non-European Union	228	263
Further Education - Home and other European Union	15	1
Further Education - Non European Union	0	0
	<b>1,922</b>	<b>1,956</b>

## 3. FUNDING BODY GRANTS

<b>Recurrent grant</b>		
HEFCE recurrent grant	750	828
EFA/SFA recurrent grant – FE provision	126	145
<b>Specific grants</b>		
HEFCE other grants	143	94
Arts Council England grants	53	0
Deferred capital grant released during the year:	25	21
	<b>1,097</b>	<b>1,088</b>

## 4. OTHER INCOME

Other capital grants	35	36
Other income	89	113
	<b>124</b>	<b>149</b>

## 5. INVESTMENT INCOME

Investment income	4	8
	<b>4</b>	<b>8</b>



## 6. STAFF COSTS

	<b>Year ended 31 July 2017</b>	Year ended 31 July 2016
	£'000	£'000
Staff costs:		
Wages and salaries	1,355	1,331
Social security costs	101	84
Other pension costs	243	176
	<b>1,699</b>	<b>1,591</b>

Average full time equivalent staff numbers by category:	<b>No</b>	<b>No</b>
Academic	22.8	22.0
Management and Specialist	14.6	15.2
Other	3.0	3.0
	<b>40.4</b>	<b>40.2</b>

### Senior Post Holders

Emoluments of the Principal:

Salary	£75,635	£76,538
Pension Contribution	<u>£11,115</u>	<u>£11,105</u>
	<u>£86,750</u>	<u>£87,643</u>

Remuneration of other higher paid staff, excluding employer's pension contribution

	No.	No.
£60,000 to £69,999	1	1

No compensation for loss of office was paid to senior post holders during the year (2016 £nil)

### Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the School. Staff costs includes compensation paid to key management personnel.

	<b>Year ended 31 July 2017</b>	Year ended 31 July 2016
	£'000	£'000
Key Management Personnel compensation	189	169

### Members of the Corporation

During the year, there were no transactions with members of the Corporation or organisations in which the members of the Corporation had an interest (2016 £nil).

The members of the Corporation did not receive any remuneration from the School during the year (2016 £nil).

Total expenses paid on behalf of the 19 members of the Corporation was £881 (2016 £1,561)

## 7. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	<b>Year ended 31 July 2017 £'000</b>	Year ended 31 July 2016 £'000
Teaching departments	128	154
Teaching support services	189	247
Other support services	31	32
Administration and central support services	157	136
General education services	167	112
Premises costs	238	245
Planned maintenance	94	47
Research	0	0
Pension finance costs	20	20
Other income-generating activities	61	50
	<b>1,085</b>	<b>1,043</b>

### Other operating expenses include:

Auditors remuneration		
- internal audit	0	0
- external audit	12	12
- other services from either external or internal audit	2	5
(Gains)/losses on disposal of tangible fixed assets	0	0
Operating lease expenses	10	10

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## 8. TAXATION

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

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## 9. TANGIBLE FIXED ASSETS

	<b>Freehold Land and Buildings</b>	<b>Fixtures, Fittings and Equipment</b>	<b>Total</b>
	£'000	£'000	£'000
<b>Cost or valuation</b>			
At 1 August 2016	2,035	1,015	3,050
Additions	0	33	33
Disposals	0	0	0
<b>At 31 July 2017</b>	<b>2,035</b>	<b>1,048</b>	<b>3,083</b>
<b>Depreciation</b>			
At 1 August 2016	807	903	1,710
Charge for year	50	41	91
Eliminated in respect of disposals	0	0	0
<b>At 31 July 2017</b>	<b>857</b>	<b>944</b>	<b>1,801</b>
<b>Net book value at 31 July 2017</b>	<b>1,178</b>	<b>104</b>	<b>1,282</b>
Net book value at 31 July 2016	1,227	113	1,340
Inherited	40	0	40
Financed by Funding Council capital grants	196	43	239
Financed from own resources	201	61	262
Financed by other capital grants	741	0	741
	<b>1,178</b>	<b>104</b>	<b>1,282</b>

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Freehold land and buildings included £40K (2016- £40K) in respect of freehold land which is not depreciated.

Some of the School buildings are subject to a Grade II listing. Due to the particular nature of the School and its location 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 £83,190 (2016: £87,174) and a cost of £158,956 (2016: £158,956) have been funded from Treasury sources: should these particular buildings be sold, the School 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.

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## 10. TRADE AND OTHER RECEIVABLES

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
<b>Amounts falling due within one year</b>		
Other trade receivables	9	81
Other receivables	4	3
Prepayments and accrued income	23	24
	<b>36</b>	<b>108</b>

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

Trade payables	119	216
Social security and other taxation payable	0	45
Other payables	12	91
Accruals	306	319
Deferred income	209	211
Other creditors	37	44
	<b>683</b>	<b>926</b>

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

Other creditors	943	973
	<b>943</b>	<b>973</b>

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### 13. ENDOWMENT RESERVES

	<b>Unrestricted 2017 £'000</b>	Unrestricted 2016 £'000
At 1 August 2016	10	13
New endowments	2	3
Expenditure for the year related to endowment balances	(0)	(6)
At 31 July 2017	<u>12</u>	<u>10</u>
<b>Balance represented by:</b>		
Cash at bank held for endowments	12	10
At 31 July 2017	<u>12</u>	<u>10</u>

### 14. CASH AND CASH EQUIVALENTS

	At 1 August 2016 £'000	Cash flows £'000	At 31 July 2017 £'000
Cash at bank and in hand	3,246	252	3,498
<b>Total</b>	<u><u>3,246</u></u>	<u><u>252</u></u>	<u><u>3,498</u></u>

### 15. EVENTS AFTER THE REPORTING PERIOD

There are no significant post balance sheet events.

### 16. CAPITAL AND OTHER COMMITMENTS

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Commitments contracted for at 31 July 2017	<u>0</u>	<u>0</u>
Authorised but not contracted for at 31 July 2017	<u>0</u>	<u>0</u>

## 17. LEASE OBLIGATIONS

Total rentals payable under operating leases:

	<b>Year Ended 31 July 2017 £'000</b>	Year Ended 31 July 2016 £'000
Land and buildings		
Payable during the year	10	10
Future minimum lease payments due:		
Not later than one year	5	10
Later than 1 year and not later than 5 years	0	5
Later than 5 years	0	0
Total lease payments due	<u>5</u>	<u>15</u>

## 18. RELATED PARTY DISCLOSURES

Due to the nature of the School'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 Corporation Governors will have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arms-length and in accordance with the School's financial regulations and normal procurement procedures.

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

## 19. ACCESS FUNDS

	<b>Year ended 31 July 2017 £'000</b>	Year ended 31 July 2016 £'000
Funding Council grants	56	49
Disbursed to students	(56)	(49)
Audit fees		
Balance unspent at 31 July 2017	<u>0</u>	<u>0</u>

Funding Council grants are available solely for students: the School acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure account.

## 20. PENSION SCHEMES

The School's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the West Yorkshire Pension Fund (WYPF) for non-teaching staff, which is managed by Aon Hewitt. Both are multi-employer defined-benefit plans.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

<b>Total pension cost for the year</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Teachers' Pension Scheme: contributions paid	148	135
Local Government Pension Scheme:	89	66
<b>Total Pension Cost for Year within staff costs</b>	<b>237</b>	<b>201</b>

Contributions amounting to £Nil (2016 £17,406) were payable to the schemes at 31st July and are included within creditors.

### Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

### The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

## 20. PENSION SCHEMES (continued)

### **Valuation of the Teachers' Pension Scheme**

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

### **Scheme Changes**

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further

transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £97,000 (2016: £88,000)

### **FRS 102 (28)**

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.



## 20. PENSION SCHEMES (continued)

### West Yorkshire Pension Scheme (WYPS)

The WYPS is a funded defined-benefit pension, with assets held in separate trustee administered funds. The agreed contribution rates for 2016/17 are 9.9% for employers and range from 5.5% to 9.9% 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 2017 by a qualified, independent actuary. The major assumptions used by the actuary were:

	<b>31 July 2017</b>	31 July 2016
RPI Inflation	3.10%	2.90%
CPI Inflation	2.00%	1.80%
Rate of increase in salaries	3.25%	3.30%
Rate of increase in pensions	2.00%	1.80%
Rate of increase to deferred pensions	2.00%	1.80%
Rate of revaluation of pension accounts	2.00%	1.80%
Discount rate for liabilities	2.60%	2.40%

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

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

The following amounts have been recognised in the performance statements in the year to 31 July 2017 under the requirements of FRS102:

### **Amounts included in the Statement of Comprehensive Income Statement in respect of the plan are:**

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Current service cost	143	93
Past service cost	0	0
Interest on net defined benefit liability	20	13
Pension expense recognised in the Statement of Comprehensive Income	<u>163</u>	<u>106</u>

### **Amounts recognised in Other Comprehensive Income**

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Asset gains arising during the period	164	122
Liability losses arising during the period	131	(492)
(Deficit) / surplus in the scheme	<u>295</u>	<u>(370)</u>

## 20. PENSION SCHEMES (continued)

**Movement in net defined benefit liability in the year:**

	<b>2017</b>	2016
	<b>£'000</b>	£'000
School's estimated asset share	2,070	1,806
Present value of scheme liabilities	(2,736)	(2,647)
(Deficit) / surplus in the scheme	<u>(666)</u>	<u>(841)</u>

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Net defined benefit liability in scheme at 1 August	(841)	(396)
Movement in year:		
Current service charge	(143)	(93)
Contributions	43	38
Exceptional pensions past service credit	0	0
Net interest/return on assets	(20)	(20)
Actuarial gain or (loss)	295	(370)
Net defined benefit liability at 31 July	<u>(666)</u>	<u>(841)</u>

**Asset and liability reconciliation**

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

	<b>2017</b>	2016
	<b>£'000</b>	£'000
<b>Defined benefit obligations at the start of the period</b>	2,647	1,975
Service cost	143	93
Interest cost	64	71
Employee contributions	46	28
Actuarial (gains)/loss	(131)	499
Benefits paid	(33)	(19)
Liabilities at end of period	<u>2,736</u>	<u>2,647</u>

**Changes in fair value of plan assets**

	<b>2017</b>	2016
	<b>£'000</b>	£'000
<b>Fair value of plan assets at start of period</b>	1,806	1,579
Expected return on assets	44	58
Actuarial gain/(loss)	164	122
Employer contributions	43	38
Employee contributions	46	28
Benefits paid	(33)	(19)
Assets at end of period	<u>2,070</u>	<u>1,806</u>

## **21. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

Other key sources of estimation uncertainty

- Tangible fixed assets

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

- West Yorkshire Pension Fund

The present value of the West Yorkshire Pension Fund defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in Note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.