

Luminate Education Group

Year End Accounts 31 July 2023



LUMINATE EDUCATION GROUP
FINANCIAL STATEMENTS
for the year ended 31 July 2023
KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL
ADVISERS

KEY MANAGEMENT PERSONNEL

Key management personnel are defined as members of the group's executive leadership team and were represented by the following in 2022/23:

Colin Booth OBE	Chief Executive Officer*
William Jones	Deputy Chief Executive Officer & Executive Principal Leeds City College
Gemma Simmons-Blench	Deputy Chief Executive Officer - Curriculum & Quality
Ann Marie Spry	Group Vice Principal Adults
David Warren	Group Vice Principal Development

* Senior post holder

BOARD OF GOVERNORS

A full list of Governors is given on page 14 of these financial statements.

PROFESSIONAL ADVISERS

EXTERNAL AUDITOR:

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

INTERNAL AUDITOR:

RSM
Central Square
29 Wellington Street
Leeds
LS1 4DL

BANKERS:

Santander
1-2 Triton Square
Regents Place
London
NW1 3AN

SOLICITORS:

Stone King LLP	Eversheds Sutherland
One Park Row	Bridgewater Place
Leeds	Water Lane
LS1 5HN	Leeds
	LS11 5DR

PRINCIPAL PLACE OF BUSINESS:

Luminate Education Group
Park Lane
Leeds
LS3 1AA

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REPORT OF THE MEMBERS OF THE CORPORATION

OBJECTIVES AND STRATEGY

The members present their report and the audited financial statements for the year ended 31 July 2023.

Legal status

The Luminate Education Group was established under the Leeds City College (Incorporation) Order 2008 for the purpose of conducting Leeds City College. The corporation name was changed from Leeds City College to Luminate Education Group with effect from 1 February 2021. The group is an exempt charity for the purposes of part 3 of the Charities Act 2011.

Introduction

Luminate Education Group is one of the UK's largest FE and HE establishments, offering a diverse curriculum to its students.

Luminate Education Group is made up of the following members and subsidiaries:

- Leeds City College
- Keighley College
- Harrogate College
- University Centre Leeds
- Leeds Conservatoire
- White Rose Resourcing Limited

Leeds City College

Is a further education college based in Leeds. It provides a wide range of academic and vocational courses and substantial provision in higher education.

Harrogate College

Joined the group on 31 July 2019. It is a further education college based in North Yorkshire.

Keighley College

Is a further education college based in West Yorkshire. It provides a wide range of vocational training.

University Centre Leeds

Delivers a wide range of higher education

courses. The University Centre was previously part of the Leeds City College, but since the start of the 2022/23 academic year has been a separate member of the group, but within the further education corporation.

As well as the FE colleges the group has the following subsidiaries:

Leeds Conservatoire became a subsidiary of the group on 1 August 2011. It is an independent Higher Education Institution and specialist music conservatoire. On 11 August 2020 the college changed its name to Leeds Conservatoire from Leeds College of Music.

White Rose Resourcing Limited previously provided an employment agency service and is currently dormant.

The group also sponsors the **White Rose Academies Trust**. The financial performance of the Trust is not consolidated in these accounts.

For the purposes of this report and financial statements Luminate Education Group (the group) is the consolidation of the further education corporation and the two subsidiary undertakings. Luminate Education Group (FE colleges) is the stand-alone Luminate Education Group Corporation entity, which incorporates the further education colleges only.

Purpose

In October 2023, the board approved a revised strategy for the group. Our purpose is to collectively transform lives through inspirational education, training and support.

We are driven to ensure that students have the skills, knowledge and confidence to access positive destinations. We make sure that every student and apprentice, irrespective of their background, has the chance to progress to a more successful future.

We aim to achieve this by attracting and supporting staff who help us achieve our

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purpose. For us, brilliant staff result in brilliant outcomes.

By connecting and collaborating with a variety of stakeholders, we are enriching communities and contributing to regional growth. Over the next two years, we will continue our commitment of providing economic and social value to the communities we serve. We will continue to use our position within the education and skills ecosystem to generate positive change in the sector, the region and across the whole country.

Luminate will play an important role for our member organisations, enabling them to bring their vision and aspirations for their students and apprentices to life. We will do this by championing individual member identities, providing support and bringing together our expert staff communities.

We are a values-driven organisation, and our cultural aims are central to everything we do at Luminate:

- Kindness - creating communities where people can be authentic and true to themselves with the support, trust and guidance from those around them;
- Enjoyment - fostering environments that enable that enables staff and students to be brave, interact and have fun;
- Passion - encouraging all to have aspiration and passion in everything they do;
- Ownership - using our robust business planning model to allow areas to have clear ownership over their vision and performance;
- Collaborative - proactively seeking opportunities to create synergies and positive outcomes for all;
- Creative - always hungry to learn and looking ahead so we can be responsive.

Strategic priorities

The group reviews and agrees a set of strategic priorities annually. The priorities for 2022/23 were to:

- develop a reputation for high quality, responsive curriculum;
- contribute to the UK's net zero carbon targets and the Leeds City Council 'Climate Emergency' declaration;
- develop first-rate shared services across the group;
- develop an affordable property strategy;
- develop an organisational approach to inclusive practice and SEND;
- consolidate key HE systems and the academic community across the Luminate Education Group;
- refresh and enhance the Luminate Education Group's People Strategy;
- develop a group culture of excellence in teaching, learning and assessment.

Good progress was made on these priorities

Building on the aims from 2022/23, in 2023/24 the group will focus on:

- Planning to improve pay and other benefits through a costed options analysis as part of a long-term remuneration and reward strategy;
- ensuring staff have the skills and experience for the workplace of the future via outcomes of a structured appraisal process and access to effective CPD;
- continuing to develop structures, spaces & activities under the five pillars (financial, physical, mental, social & community) to improve inclusive culture, belonging and staff and student wellbeing;
- developing a group strategy which identifies the potential benefits of 'Artificial Intelligence' and which includes increased efficiency and effectiveness across both curriculum and service areas;
- leading curriculum reform at group and member level underpinned by the post 16, HE, and SEND reforms;
- continuing to reduce the group's carbon footprint through more energy efficient buildings, investment in energy control systems and meaningful sustainability engagement;
- securing the loan funding to finance the major capital projects and managing the group financial position during a period of

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significant capital expenditure.

Resources

The group has various resources that it can deploy in pursuit of its strategic objectives.

The group employs 2,309 people (expressed as average headcount) of whom 1,593 are teaching staff.

The student enrolments for the year were:

	Further Education Colleges	Leeds Conservatoire
14-16 year olds	231	n/a
16-19 year olds	7,173	n/a
Adult learners	9,247	n/a
Apprentices	1,728	n/a
HE students	1,030	1,459

The group has £145 million of net assets including a £1.4 million pension liability and long-term debt of £34 million.

Tangible resources include the following campuses: Harrogate College and Keighley College each have a single main campus. Leeds City College has several city centre based campuses: Quarry Hill, Park Lane, Mabgate and Printworks, as well as centres serving local communities. Leeds Conservatoire's main campus is based at Quarry Hill, with additional facilities at Playhouse Square.

The colleges have a good reputation locally and nationally. With the outcome of the April 2022 Ofsted inspection rating the colleges Good overall, with several areas rated as outstanding.

Luminate Education Group is at the forefront of local and regional agendas and has significant national influence. The group has a crucial strategic role in the City Region and more widely and is working closely with Leeds City Council, Bradford Council (with respect to Keighley College), the City Region

Local Enterprise Partnership (LEP) and other partners to find innovative solutions to create a skilled and prosperous workforce and improve life opportunities for students.

Stakeholders

In line with other colleges and universities the group has many stakeholders.

These include:

- students and parents;
- staff and their trade unions;
- local and regional employers;
- education sector funding bodies;
- local authorities;
- the local communities in Harrogate, Keighley districts, the city of Leeds, and the region beyond;
- HE validation partners;
- third-sector organisations;
- local and national media outlets;
- professional bodies;
- Students' Union.

The group recognises the importance of these relationships and engages in regular communication with these stakeholders through targeted media and channels. The corporate reputation is reinforced via employer engagement, networking events, public-relations activities and media coverage, digital and online promotions, educational literature and other group publications.

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DEVELOPMENT AND PERFORMANCE

Financial results

The group generated a deficit before other gains and losses of £551k during the 12 months ending 31 July 2023 (2021/22: deficit of £7,376k), with total comprehensive income being a surplus of £16,597k (2021/22: surplus of £89,074k). This included a total actuarial gain on the pension liability of £16,878k during the year.

Student recruitment in September 2022 was below the planned level across the group including study programmes and higher education courses. Adult education delivery was strong during the year and there was a welcome increase to the funding rates for WYCA and ESFA delivery. Costs continued to be carefully controlled, but the national inflation position has led to increased levels of expenditure in a number of areas and most notably in respect of utility unit rates during the year. In common with other sectors, staff recruitment during the year was challenging giving rise to higher levels of vacancy savings which were partly offset by agency staff costs, the pay award and the real living wage increase. Through careful control of the financial position during the year, the net operating position was in line with the group budget and forecast.

Developments

Tangible fixed asset additions during the year amounted to £13,728k.

Expenditure was incurred on several major projects including the additional classroom block at the Printworks site, investment in facilities and equipment for T-levels, the acquisition of a site adjacent to the Mabgate campus, design work for the Further Education Capital Transformation Fund and Pudsey Sixth Form projects along with continued investment in the legacy estate and fitting out of leased space to accommodate student number growth.

Reserves

At 31 July 2023 the group has accumulated reserves of £144,987k and cash balances of £10,490k.

Sources of income

The group places significant reliance on government funding for its principal funding sources, largely from recurrent grants. In 2022/23 the Education & Skills Funding Agency (ESFA) provided 72% of the group's total income, excluding capital grants (2021/22 68%).

Group companies

The group has two subsidiary companies - Leeds Conservatoire and White Rose Resourcing Limited.

Leeds Conservatoire is the only UK conservatoire to offer pathways in Classical, Jazz, Popular Music and Music Production. The Conservatoire was awarded separate Higher Education Institute status in June 2018. White Rose Resourcing Limited is a dormant company and previously acted as an employment agency. The company is in the process of being repurposed as the property development company for the group.

FUTURE PROSPECTS

Developments

Demographic growth in the local areas served by the group is expected to drive significant growth in student numbers in its key markets and the group has been investing in facilities to support the increasing student numbers. The group has recently been successful with post-16 capacity fund bids to create additional capacity at two sites in Leeds.

Financial plan

The Group approved a financial plan in July 2023 which set objectives for the period to 2026.

Treasury policies and objectives

Treasury management is the management of the group's cash flows, its banking, money

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market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The group has a separate treasury management policy in place.

All borrowing requires the authorisation of the Board of Governors and complies with the requirements of the ESFA Financial Memorandum. Following reclassification of the further education sector on 20 November 2022, new borrowing now needs to meet the requirements of managing public money.

Cash flows and liquidity

The operating cash from the group's activities before investing and financing was £10,306k, reflecting the solid EBITDA performance in 2022/23. There was an overall net outflow of £3,270k (2021/22: outflow of £1,291k).

During the year, the group maintained adequate levels of liquidity, as it continues to invest in refurbishing and developing its estate for the benefit of students. The group took advantage of improving deposit account rates by placing all cash funds in an instant access deposit account.

The £10m unutilised balance of the £16.5m revolving credit facility that was intended to provide the match funding requirements of the Further Education Capital Transformation Fund projects, was unable to be accessed following the reclassification of the sector in late 2022. In June 2023 the DfE approved an application from the group for a loan to replace this match funding and to contribute towards funding three growth related projects.

Reserves policy

The group has no formal reserves policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the group's core activities. The group holds £122k of restricted reserves.

At the balance sheet date, the income and

expenditure account reserve stands at £142,293k (2021/22: £125,643k). It is the board's intention to continue to invest surpluses in the property strategy over the life of the strategic plan.

Going concern

The financial position of the group and FE colleges, their cashflows, liquidity and borrowings are presented in the Financial Statements and accompanying notes.

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

The group has prepared cash flow forecasts to July 2026 - a period in excess of 12 months from the date of approval of these financial statements. After reviewing these forecasts, the group is of the opinion that the group and the FE colleges will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The DfE has approved a £28,689k loan for the group to meet the majority of the match funding requirements for the four FECTF projects and three growth projects in Leeds, providing the group with financing to deliver a number of key capital schemes over the next two years.

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

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management

The group has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect the group's assets, reputation and financial stability. The group board has

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overall responsibility for risk management and its approach to managing risks and internal control is explained in the Statement of Corporate Governance.

Risk registers are maintained by each department in the colleges, and a strategic risk register is maintained and presented to each college board as part of its oversight. The individual college registers are reviewed and a group strategic risk register is prepared and maintained to be presented to the Corporation. Members of the executive leadership team manage the strategic risks.

An annual review of risk management considers progress made over the year in identifying and managing risks. The risk registers identify the key risk, the likelihood of those risks occurring, the potential impact on across the group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The process is overseen by the Audit Committee who use these reports on a regular basis and link them to the work of both internal and external auditors to enable them to comment upon the adequacy or otherwise of the process.

The internal auditors use the risks to inform their prospective work plan so that the entire plan is focused upon the key risks facing the group.

Outlined below is a description of the two principal risks identified during 2022/23.

Not all the factors were within the control of the group. Other factors besides those listed below may also adversely affect the group.

- **Group finances (cash flow) cannot sustain growth strategies in the short to medium term**

Income, excluding capital grants and donations grew by £14m in 2022/23 in comparison with 2021/22. This increase in income was driven by improvements in funding rates for study programmes and adult education. Where growth in student numbers

is achieved, coupled with the nature of lagged funding for the key 16-19-year-old market for study programmes limits the cash availability to invest. The impact of inflation on the cost base of the group, coupled with funding rates for some income streams that are relatively static restrict improvement in the financial position of the group.

Robust performance management processes are in place to monitor financial and quality targets, resulting in substantial improvements in performance.

- **The group is unable to resource its property strategy in the short term.**

The group continues to implement its property strategy. The major risk is the availability of grants or loans to develop the estate. Whilst significant investments have been made to provide an increasing amount of high-quality accommodation, the group still faces these key issues:

- some of the buildings in use by Leeds City College are in need of repair and significant levels of renovation to bring them up to the standards required;
- on-going maintenance work required in the current Leeds estate, which will need to be funded in the short term.

This risk is mitigated in a number of ways:

- the group has continued to invest in facilities prioritising health and safety, safeguarding of students and staff, legislative compliance and projects with a high impact for learners;
- the development and implementation of a phased property strategy to improve facilities across the whole estate;
- the group has been awarded formulaic condition improvement funding that will be able to be utilised to improve the fabric of the legacy estate over the next two years.

The property strategy is kept under close review by the Property Strategy Committee.

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KEY PERFORMANCE INDICATORS

Each institution in the group is closely monitored against a set of quality, financial and stakeholder targets.

Blue, Red, Amber, Green (BRAG) ratings of targets

KPIs are BRAG rated. The colour indicates the level of performance relative to other institutions in the sector if the target is achieved. Red = Inadequate, Amber = Requires Improvement, Green = Good, Blue = Outstanding.

Further Education

Harrogate College (HC), Keighley College (KC), Leeds City College (LCC)

Target	HC		KC		LCC	
Ofsted Self Assessed target	Good		Good		Good	
Classroom based achievement (all ages)	80%		83%		84%	
Apprentice achievement (overall)	51%		57%		61%	

Higher Education

Leeds City College (LCC), Leeds Conservatoire (LC)

Target	LCC		LC	
Achievement at Level 6	82%		94%	

Staff

Target	HC		KC		LCC	
Staff proud to work at the college	92%		95%		86%	
Retain Investor in People	Yes		Yes		Yes	
Holder of Investor in Diversity	n/a		n/a		Yes	

PUBLIC BENEFIT

Luminate Education Group is an exempt charity under Part 3 of the Charities Act 2011, regulated by the Secretary of State for Education. The members of the Board of Governors, who are trustees of the charity, are disclosed on page 14.

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

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

1. High-quality teaching.
2. Widening participation and tackling social exclusion.
3. Excellent employment records for students.
4. Strong student support systems.
5. Links with employers, industry and commerce.
6. Links with Local Enterprise Partnerships (LEPs).

Equality, diversity and inclusion (EDI)

Luminate Education Group is committed to creating and maintaining an inclusive working and learning environment that respects and celebrates difference. We aim to provide a community where everyone feels able to participate fully in college life and achieve their full potential.

The group's commitment to equality and diversity is endorsed and led by the colleges' leadership team and governors. Our goal is to ensure that this commitment translates into action across the whole community and that equality and fairness is embedded into our everyday activities. In order to achieve this ambition; we require that all staff, learners, partners, visitors, contractors and sub-

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contracts working on behalf of the college share our commitment.

The FE colleges hold the prestigious Investors in Diversity (IID) accreditation. Progress against the delivery of the EDI objectives are monitored by the EDI working group.

Our latest annual equality information report, together with our equality objectives is available to view on our website.

Disability statement

The group seeks to achieve the objectives set down in the Equality Act 2010:

- The colleges have access co-ordinators to support students with practical access adjustments and provides information, advice and arranges support where necessary for students with disabilities. The colleges provide oasis rooms for students with autism spectrum disorders.
- The colleges have a range of specialist equipment, such as radio aids, which are made available for use by students, and a range of assistive technology is available in the learning resource centres.
- The admissions policy for all students is published on the colleges' websites. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Specialist programmes are described in college prospectuses, and achievements and destinations are recorded and published in the standard college format.
- Careers guidance, counselling and welfare services are described on the website and in the college student guide which is issued to students during induction.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the group to publish information on facility time arrangements for trade union officials at the FE colleges. The relevant period covers 1 April 2022 to 31 March 2023.

Number of employees who were union officials during the relevant period	FTE employee number
16	15.5

Percentage of time	Number of employees
0%	0
1% - 50%	16
51% - 99%	0
100%	0

Total cost of facility time	£64,979
Total pay bill	£63,724,211
Percentage of total bill spent on facility time	0.10%

Time spent on paid trade union activities as a percentage of total paid facility time was 0%.

Supplier payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations to make payments to suppliers within 30 days of either the provision for goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%.

The group has been a signatory to the Prompt Payment Code since 2015.
<http://www.promptpaymentcode.org.uk/>

During the accounting period 1 August 2022 to 31 July 2023, the group paid 94% of its invoices within 30 days (2021/22: 94%). The group incurred no interest charges in respect of the last payment for this period.

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Carbon emissions

The group is committed to reducing its carbon emissions and has taken the following measures in the year to improve energy efficiency:

- Commissioning of air source heat pumps at Park Lane
- Upgrade of the software for the building management system

The group's greenhouse gas emissions and energy use for the period calculated in line with the 2019 HM Government Environmental Reporting Guidelines, the GHG Reporting Protocol – Corporate Standard and the 2021 UK Government's Conversion Factors for Company Reporting are as follows:

UK Greenhouse gas emissions and energy use data for the period	2022/23	2021/22
<u>Scope 1 emissions in metric tonnes CO2e</u>		
Gas consumption	1,857	2,274
Owned transport	6	10
Fugitive	123	214
Total	1,986	2,498
<u>Scope 2 emissions in metric tonnes CO2e</u>		
Purchased electricity	1,969	2,173
<u>Scope 3 emissions in metric tonnes CO2e</u>		
Business travel in employee owned vehicles	25	21
Water supply	10	9
Total	35	30
Total gross emissions in metric tonnes CO2e	3,990	4,701
<u>Intensity ratio</u>		
Metric tonnes CO2e per staff member (FTE)	2.2	2.7

The chosen intensity measurement ratio is staff member full time equivalents.

Events after the end of the reporting period

In the period since 31 July 2023 the group has entered into a facility agreement with the Department for Education to provide loan funding for a number of major projects over the next two years. The total amount of funding available under this facility is £28,689k and the agreement was completed on 31 October 2023.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 18 December 2023 and signed on its behalf by:

John Toon
Chair of the Corporation



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STATEMENT OF CORPORATE GOVERNANCE

The group is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the Corporation has applied the principles set out in the UK Corporate Governance Code ("the code") issued by the Financial Reporting Council (FRC). Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the group complies with all the provisions of the code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2023. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it also takes account of The Code of Good Governance for English Colleges published by the Association of Colleges (AoC), which it formally adopted in 2015.

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

The Board is provided with regular and timely information on the overall financial performance of the group 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. The Board usually meets quarterly.

Full minutes of all meetings, except those deemed to be confidential by the Board, are available from the Director of Governance at:

Luminate Education Group
Park Lane
Leeds
LS3 1AA

The Director of Governance 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 Corporation's expense and have access to the Director of Governance, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Director of Governance are matters for the Board as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings.

The Board has a strong and independent non-executive element and no individual or group dominates its decision making process. The Board 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 Chief Executive are separate.

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STATEMENT OF CORPORATE GOVERNANCE

The members who served on the Governing Body during the year and up to the date of signature of this report were as follows:

Name	Date of most recent appointment	Term of office	Date of resignation	Category of membership	Committee membership 2022/23	Attendance at scheduled Board meetings 2022/23
C Booth OBE	28 Sept 15	n/a (ex-officio)	-	Chief Exec	LC, LCC, KC, HC, UCL, G&N, PSC, FC	100% (4/4)
A Chang	18 Mar 22 (reappointed 1 Dec 23)	4 years	31 Aug 22	Governor	LCC, Audit	n/a
M Garratt	1 Aug 22	2 years	-	Governor	UCL	50% (2/4)
B Goodyer	1 Sept 22	1 year	31 Aug 23	Student	LCC	50% (2/4)
B Hewitt	1 July 23	4 years	-	Governor	Remuneration	0% (0/1)
Q Hussain	1 Sept 23	1 year	-	Student	LCC	n/a
R Lee	1 July 23	2 years	-	Staff	-	100% (1/1)
C Lennon	1 Sept 22	4 years	-	Governor	Audit	75% (3/4)
C Lord	1 Dec 23	4 years	-	Governor	LC, PSC, Remuneration	100% (4/4)
S Mahmood (Chair up to 31 Oct 23)	1 Nov 21	2 years	31 Oct 23	Governor	LC, G&N, FC, Remuneration	75% (3/4)
K Morton	1 Sept 21	4 years	-	Governor	LCC, FC	100% (4/4)
J Pither	1 Nov 20	4 years	-	Governor	HC, FC	75% (3/4)
R Shaw	1 May 23	4 years	-	Governor	PSC, FC	75% (3/4)
J Toon (Chair wef 1 Nov 23)	1 Sept 21	4 years	-	Governor	Audit, Remuneration	75% (3/4)
I Watling	1 June 19	4 years	20 June 23	Governor	HC, FC	100% (3/3)
D Yates	1 July 23	2 years	-	Governor	G&N, KC, Audit	100% (4/4)

The Board sets itself an overall attendance target of 85%. During the year there were 39 individual attendances at scheduled Board meetings out of a possible 49, which is 80% overall attendance.

During the year there were 17 individual attendances at Audit Committee meetings out of a possible 19, which is 89% overall attendance, broken down as follows:

Audit Committee Member	Attendance at meetings during 2022/23
Andrew Chang	100% (2 out of 2 meetings)
Cherry Fricker	67% (2 out of 3 meetings)
Cath Lennon	50% (1 out of 2 meetings)
David Thorpe	100% (4 out of 4 meetings)
John Toon (Chair of the Committee)	100% (4 out of 4 meetings)
David Yates	100% (4 out of 4 meetings)

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FINANCIAL STATEMENTS
for the year ended 31 July 2023
STATEMENT OF CORPORATE GOVERNANCE

Appointments to the Corporation

The Board, through a Governance & Nominations Committee, ensures that there is an appropriate balance of skills and experience among its members. The constitution includes the Chief Executive, the President of the Students' Union and an elected staff member. The remaining members are external and independent to the Corporation. Board members are not remunerated for the work they do in this capacity.

Any new appointments to the Board are a matter for the consideration of the Board as a whole. The Board is also responsible for ensuring that appropriate training is provided as required.

Members of the Board are appointed for a term of office not exceeding four years, following which they are eligible for reappointment. In accordance with the recommendations of the Nolan (Neill) Committee on Standards in Public Life, governors do not serve for more than eight years in total. However, the Board retains the discretion to vary this general rule if there are exceptional reasons for an individual being reappointed for a further term of office.

Board performance

The Board usually meets on a quarterly basis and considers all areas of the business. They were supported by the following committees throughout 2022/23:

- Audit Committee
- Governance & Nominations Committee (G&N)
- Remuneration Committee
- Property Strategy Committee (PSC)
- Finance Committee (FC)
- Leeds City College Board (LCC)
- Keighley College Board (KC)
- Harrogate College Board (HC)
- Leeds Conservatoire Board (LC)
- University Centre Leeds (UCL) Board

The Board currently comprises of ten non-executive members (including the Chair of

the Board), the Chief Executive, one member of staff (nominated/elected by all staff) and one student member (the SU sabbatical president as elected by the students on an annual basis).

The Board is committed to development and held a group-wide world café in February 2023 at which board and committee members and senior leaders from all parts of the group came together to refresh the group's strategy for the period 2023-25, supported by two external facilitators. The Board's annual strategic seminar was held in March 2023. This development event focused on strategic challenges, opportunities and horizon scanning across the FE and HE sectors, the implications of student number growth across the group and the group's strategic priorities. A joint development event was held in September 2023 specifically for the FE college boards covering the following topics:

- Keeping Children Safe in Education
- FE Sector Horizon Scanning
- Statutory duty to review how well college provision meets local needs
- FE College Self-Assessment
- FE College Teaching, Learning and Assessment Strategy

Other training and development events attended by governors during 2022/23 and up to the date of signing of this report included:

- AoC (Association of Colleges) Governance Summit and Regional Governance Conference
- AoC Annual Conference 2022
- Governor Induction (delivered both internally and externally via the AoC)
- AoC Governance Finance Masterclass Series
- AoC Audit Committee Masterclass
- Cyber Security
- Climate Literacy
- Office for National Statistics (ONS) Reclassification of the Sector
- Festival of Student Governance 2023

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STATEMENT OF CORPORATE GOVERNANCE

- ETF (Education and Training Foundation) Chairs' Leadership Programme
- Various briefings provided prior to or as part of scheduled board and committee meetings

The Director of Governance and Governance Managers also benefited from a range of training opportunities during the year, including:

- AoC (Association of Colleges) Governance Professionals' Development Programme
- AoC Governance Professionals' Conference
- AoC Audit Committee Masterclass
- Company Law Refresher Training for Education Institutions (Eversheds Sutherland)
- Subsidiary Companies – Legal Considerations (Eversheds Sutherland)
- Data Protection (Eversheds Sutherland)
- Climate Literacy Training
- ONS Reclassification of the Sector

An external governance review is planned for the spring of 2024.

Remuneration Committee

The group's Remuneration Committee currently comprises of three members of the Corporation and two co-opted members. The committee advises the Board on the remuneration and conditions of service of senior staff, including the Chief Executive. In carrying out its responsibilities the committee is mindful of the requirements of relevant funding bodies and regulators, including the Education & Skills Funding Agency (ESFA) and the Office for Students (OfS).

The group has adopted the AoC (Association of Colleges) Senior Staff Remuneration Code. Details of remuneration for the year ended 31 July 2022 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee met four times during 2021/22 and comprised of three members of the Board and two co-opted (non-governor) members. Its membership excludes the Chief Executive and the Chair of the Board. The committee operates in accordance with written terms of reference approved by the Board.

The committee provides a forum for reporting by the group's internal, regularity and financial statements auditors, who have access to the committee for independent discussion, without the presence of management. The committee also receives and considers reports from the main funding bodies as they affect the group's business.

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

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

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

The committee's remit encompasses the Further Education Corporation (Harrogate College, Keighley College and Leeds City College), Leeds Conservatoire and White Rose Resourcing Limited. Leeds Conservatoire and White Rose Resourcing Limited are wholly owned subsidiary companies of the Corporation. As an independent HE provider, Leeds Conservatoire also has its own Audit Committee.

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STATEMENT OF CORPORATE GOVERNANCE

Governance & Nominations Committee

The committee advises the board on the appointment / reappointment, training and ongoing development of governors and keeps under review the systems, policies and procedures supporting the governance process.

Finance Committee

The Finance Committee maintains strategic oversight of the group's financial strategy and monitors financial performance against budget.

Property Strategy Committee

The committee maintains a strategic oversight of the group Property Strategy and the individual projects within it, monitoring the delivery of the overall objectives of the strategy.

Leeds City College Board

The board undertakes the oversight of the operation of Leeds City College (developmental, quality and financial aspects) on behalf of the Corporation.

Keighley College Board

The board undertakes the oversight of the operation of Keighley College (developmental, quality and financial aspects) on behalf of the Corporation.

Harrogate College Board

The Harrogate College board was established following the acquisition by the group in 2019. In common with the Leeds and Keighley College boards, it undertakes the oversight of the operation of Harrogate College (developmental, quality and financial aspects) on behalf of the Corporation.

University Centre Leeds Board

The University Centre Leeds Board held its inaugural meeting in November 2022. Its

objective is to have oversight of the operation of the University Centre and compliance with the Office for Students (OfS) conditions of registration on behalf of the Corporation.

Leeds Conservatoire Board

As a company limited by guarantee, Leeds Conservatoire has its own board of directors which reports to the Corporation.

White Rose Resourcing (WRR) Limited

As a limited company, WRR Limited also has its own board of directors, reporting annually to the Corporation via the Audit Committee.

LUMINATE EDUCATION GROUP
FINANCIAL STATEMENTS
for the year ended 31 July 2023
STATEMENT OF INTERNAL CONTROL

Scope of responsibility

The group board is ultimately responsible for the group'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 and not absolute assurance against material misstatement or loss.

The group board has delegated the day to day responsibility to the Chief Executive Officer, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the group's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the funding agreements between Luminate Education Group and the funding bodies. He is also responsible for reporting to the Board any material weaknesses or 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 ongoing process designed to identify and prioritise the risks to the achievement of the group's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the group for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The group has reviewed the key risks to which the group is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The group board is of the view that

there is a formal ongoing process for identifying, evaluating and managing the group's significant risks that has been in place for the period ending 31 July 2023 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the group board.

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body;
- 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; and
- The adoption of formal project management disciplines, where appropriate.

The group has an internal audit service which operates in accordance with the requirements of the Education and Skills Funding Agency's *Post-16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the group is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the group board on the recommendation of the Audit Committee.

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

LUMINATE EDUCATION GROUP
FINANCIAL STATEMENTS
for the year ended 31 July 2023
STATEMENT OF INTERNAL CONTROL

Responsibilities under funding agreements

The Department for Education and Education and Skills Funding Agency introduced new controls for the college on 29 November 2022 on the day that the Office for National Statistics reclassified colleges as public sector organisations in the national accounts. The ESFA chief executive communicated these changes to all college accounting officers and explained plans to introduce a college financial handbook in 2024. The college has reviewed its policies, procedures and approval processes in line with these new requirements to ensure there are systems in place to identify and handle any transactions for which DfE approval is required

Statement from the Audit Committee

The Audit Committee has advised the board of governors that the group has an effective framework for governance and risk management in place. The committee believes that the group has effective internal controls in place.

The specific areas of work undertaken by the Audit Committee in 2022/23 and up to the date of approval of the financial statements covered the areas of governance, risk management and internal control, which provided assurance against the strategic risks identified.

Review of effectiveness

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors
- The work of the executive managers within the group who have responsibility for the

development and maintenance of the internal control framework; and

- Comments made by the auditors of the group's financial statements, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditors and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The executive leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within departments and reinforced by risk awareness training. The executive leadership team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board's agenda includes a regular item for consideration of risk and control and receives reports thereon from the executive leadership team and the audit committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2023 meeting, the Board carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2023.

Approved by order of the members of the Board on 18 December 2023 and signed on its behalf by:

John Toon
Chair of the Corporation



Colin Booth OBE
Chief Executive and Accounting Officer



LUMINATE EDUCATION GROUP
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STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

As accounting officer I confirm that the corporation has had due regard to the requirements of grant funding agreements and contracts with ESFA and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding.

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am not able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the terms and conditions of funding, under the corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

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



Colin Booth OBE
Chief Executive and Accounting Officer

Date:

On behalf of the corporation, I confirm that the accounting officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.



John Toon
Chair of the Corporation

Date:

LUMINATE EDUCATION GROUP
FINANCIAL STATEMENTS
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STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the Corporation are required to present audited financial statements for each financial year.

Within the terms and conditions of the group's grant funding agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the *2019 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction* issued by the ESFA, and which give a true and fair view of the state of affairs of the group and the result for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group'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 to cease operations, or have no realistic alternative but to do so.

The Corporation is also required to prepare a Members of the Corporation Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the Corporation.

The Corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the group, and which enable it to ensure that the financial statements are prepared in accordance with

the relevant legislation of incorporation and other relevant accounting standards. It is responsible for 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, and for taking steps that are reasonably open to it in order to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the groups' websites is the responsibility of the Corporation; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

LUMINATE EDUCATION GROUP
FINANCIAL STATEMENTS
for the year ended 31 July 2023
STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

Approved by order of the members of the Corporation on 18 December 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'John Toon', with a long horizontal flourish extending to the right.

John Toon
Chair of the Corporation

LUMINATE EDUCATION GROUP

FINANCIAL STATEMENTS

for the year ended 31 July 2023

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

Opinion

We have audited the financial statements of Luminate Education Group (the 'College') and its subsidiary (the 'Group') for the year ended 31 July 2023 which comprise the Group and College Statement of Comprehensive Income and Expenditure, the Group and College Statement of Changes in Reserves, the Group and College Balance Sheet, the Group Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and College's affairs as at 31 July 2023 and of the Group's and College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Members of the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Members of the Corporation with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Corporation is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of

LUMINATE EDUCATION GROUP
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STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 21, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Group's and College'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 the Corporation either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

LUMINATE EDUCATION GROUP
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Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Group and the College and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: compliance with the ESFA funding agreements, the OfS regulatory framework, the OFSTED regulatory framework, safeguarding, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, HM Treasury's "Managing public money".

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Group and the College is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group and the College which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation.

In addition, we evaluated the members of the corporation and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the assumptions used in determining the valuations of defined benefit obligations and the valuation of investment property, revenue recognition (which we pinpointed to the cut-off assertion in respect of non-funding body grant income), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Members of the Corporation and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other required reporting

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

In our opinion, in all material respects:

- funds provided by the OfS and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions attached to them; and
- the requirements of OfS's accounts direction have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the OfS Audit Code of Practice requires us to report to you if, in our opinion:

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated; or
- the provider's expenditure on access and participation activities, as disclosed in the financial statements, has been materially misstated.

Use of the audit report

This report is made solely to the Corporation as a body in accordance with Article 18 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation 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 Group and the College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

Mazars LLP (Dec 21, 2023 14:22 GMT)

Mazars LLP

Chartered Accountants and Statutory Auditor

Park View House

58 The Ropewalk

Nottingham

NG1 5DW

Date Dec 21, 2023

LUMINATE EDUCATION GROUP
FINANCIAL STATEMENTS
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REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY

In accordance with the terms of our engagement letter dated 24 July 2023 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Luminate Education Group during the period 1 August 2022 to 31 July 2023 have not been applied to the purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by ESFA and in any relevant conditions of funding, concerning adult education notified by a relevant funder. This report is made solely to the corporation of Luminate Education Group and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Luminate Education Group and ESFA those matters we are required to state in a 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 corporation of Luminate Education Group and ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Luminate Education Group and the reporting accountant

The corporation of Luminate Education Group is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them.

Our responsibilities for this engagement are established in the United Kingdom by the Code our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work, which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by ESFA. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity and propriety.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA/funding agreement with the ESFA.

LUMINATE EDUCATION GROUP
FINANCIAL STATEMENTS
for the year ended 31 July 2023
REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY

- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Tested a sample of individual learner records.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.
- Reviewed the College's compliance with the requirements of HM Treasury's "Managing Public Money" document.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 has not been applied to purposes intended by Parliament, and that the financial transactions do not conform to the authorities that govern them.

Signed: 
Mazars LLP (Dec 21, 2023 14:22 GMT)

Mazars LLP

Date: Dec 21, 2023

Consolidated and FE College Statements of Comprehensive Income

	Notes	Group 2023 £000	FE Colleges 2023 £000	Group 2022 £000	FE Colleges 2022 £000
Income					
Funding body grants	2	92,578	90,615	82,166	81,679
Tuition fees and education contracts	3	24,545	10,721	26,439	12,013
Other grants and contracts	4	1,326	1,226	1,322	1,055
Other income	5	3,844	4,515	3,490	4,947
Investment income	6	138	138	1	1
Donations and Endowments	7	-	-	1	-
Total income		<u>122,431</u>	<u>107,215</u>	<u>113,419</u>	<u>99,695</u>
Expenditure					
Staff costs	8	79,631	69,829	80,842	70,367
Restructuring costs	8	270	91	332	316
Other operating expenses	9	32,876	27,159	30,309	25,980
Depreciation, amortisation and impairment	11	7,592	6,789	5,849	5,043
Interest and other finance costs	10	<u>2,613</u>	<u>2,435</u>	<u>3,463</u>	<u>3,124</u>
Total expenditure		<u>122,982</u>	<u>106,303</u>	<u>120,795</u>	<u>104,830</u>
Surplus/(deficit) before other gains and losses		<u>(551)</u>	<u>912</u>	<u>(7,376)</u>	<u>(5,135)</u>
(Loss)/profit on disposal of assets	11	<u>(69)</u>	-	<u>10,115</u>	<u>10,115</u>
Surplus before tax		<u>(620)</u>	<u>912</u>	<u>2,739</u>	<u>4,980</u>
Taxation		<u>339</u>	-	-	-
(Deficit)/surplus for the year		<u>(281)</u>	<u>912</u>	<u>2,739</u>	<u>4,980</u>
Actuarial gain in respect of pensions schemes	17,19	<u>16,878</u>	<u>11,812</u>	<u>86,335</u>	<u>71,459</u>
Total comprehensive income for the year		<u>16,597</u>	<u>12,724</u>	<u>89,074</u>	<u>76,439</u>
Represented by:					
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive income		<u>16,597</u>	<u>12,724</u>	<u>89,074</u>	<u>76,439</u>
		<u>16,597</u>	<u>12,724</u>	<u>89,074</u>	<u>76,439</u>

The Statement of Comprehensive Income is in respect of continuing activities.

The accompanying notes on pages 33 to 59 form part of these financial statements.

Consolidated and FE Colleges Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Restricted Reserve	Endowment reserve	Total
	£000	£000	£000	£000	£000
Group					
Balance at 1 August 2021	<u>35,695</u>	<u>3,501</u>	<u>120</u>	<u>4</u>	<u>39,320</u>
Surplus from the income and expenditure account	2,739	-	-	-	2,739
Other comprehensive income	86,335	-	-	-	86,335
Movement in reserve	-	-	-	(4)	(4)
Transfers between reserves	<u>874</u>	<u>(874)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 July 2022	<u>125,643</u>	<u>2,627</u>	<u>120</u>	<u>-</u>	<u>128,390</u>
Deficit from the income and expenditure account	(281)	-	-	-	(281)
Other comprehensive income	16,878	-	-	-	16,878
Movement on reserve	-	-	-	-	-
Transfers between reserves	<u>53</u>	<u>(55)</u>	<u>2</u>	<u>-</u>	<u>-</u>
Balance at 31 July 2023	<u>142,293</u>	<u>2,572</u>	<u>122</u>	<u>-</u>	<u>144,987</u>
FE Colleges					
Balance at 1 August 2021	<u>41,291</u>	<u>3,501</u>	<u>120</u>	<u>-</u>	<u>44,912</u>
Surplus from the income and expenditure account	4,980	-	-	-	4,980
Other comprehensive income	71,459	-	-	-	71,459
Movement in reserve	-	-	-	-	-
Transfers between reserves	<u>874</u>	<u>(874)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 July 2022	<u>118,604</u>	<u>2,627</u>	<u>120</u>	<u>-</u>	<u>121,351</u>
Surplus from the income and expenditure account	912	-	-	-	912
Other comprehensive income	11,812	-	-	-	11,812
Transfers between reserves	<u>53</u>	<u>(55)</u>	<u>2</u>	<u>-</u>	<u>-</u>
Balance at 31 July 2023	<u>131,381</u>	<u>2,572</u>	<u>122</u>	<u>-</u>	<u>134,075</u>

The accompanying notes on pages 33 to 59 form part of these financial statements.

Balance Sheets as at 31 July

	Notes	Group 2023 £000	FE Colleges 2023 £000	Group 2022 £000	FE Colleges 2022 £000
Non current assets					
Tangible fixed assets	11	184,119	173,191	178,052	166,766
Intangible fixed assets	12	540	540	-	-
Investments	13	-	-	-	-
		<u>184,659</u>	<u>172,731</u>	<u>178,052</u>	<u>166,766</u>
Current assets					
Stocks		289	289	267	264
Trade and other receivables	14	7,874	6,887	6,199	5,697
Cash and cash equivalents	18	10,490	10,477	13,760	13,743
		<u>18,653</u>	<u>17,653</u>	<u>20,226</u>	<u>19,704</u>
Less: creditors – amounts falling due within one year	15	<u>(22,611)</u>	<u>(23,019)</u>	<u>(18,062)</u>	<u>(19,758)</u>
Net current (liabilities)/assets		<u>(3,958)</u>	<u>(5,366)</u>	<u>2,164</u>	<u>(54)</u>
Total assets less current liabilities		<u>180,701</u>	<u>167,365</u>	<u>180,216</u>	<u>166,712</u>
Creditors – amounts falling due after more than one year	16	(34,273)	(33,019)	(36,001)	(34,501)
Provisions					
Defined benefit obligations	17,19	(1,441)	(1,271)	(15,181)	(10,712)
Other provisions	17	-	-	(644)	(148)
Total net assets		<u>144,987</u>	<u>134,075</u>	<u>128,390</u>	<u>121,351</u>
Restricted reserves					
Other restricted reserve		122	122	120	120
Endowment reserve		-	-	-	-
Unrestricted reserves					
Income and expenditure account		142,293	131,381	125,643	118,604
Revaluation reserve		2,572	2,572	2,627	2,627
Total unrestricted reserves		<u>144,865</u>	<u>133,953</u>	<u>128,270</u>	<u>121,231</u>
Total reserves		<u>144,987</u>	<u>134,075</u>	<u>128,390</u>	<u>121,351</u>

The accompanying notes on pages 33 to 59 form part of these financial statements.

The financial statements on pages 29 to 59 were approved and authorised for issue by the Board on 18 December 2023 and were signed on its behalf on that date by:



John Toon
Chair of the Corporation

Colin Booth OBE
Chief Executive and
Accounting Officer



Consolidated Statement of Cash Flows

	Notes	2023 £000	2022 £000
Cash flow from operating activities			
(Deficit)/surplus for the year		(281)	2,739
Adjustment for non-cash items			
Depreciation		7,592	5,849
(Increase)/decrease in stocks		(22)	348
Decrease in debtors		(1,336)	(2,416)
Increase in creditors due within one year		4,498	2,819
Increase/(decrease) in other creditors		139	(105)
(Decrease)/increase in provisions		(644)	624
Taxation		(339)	-
Pensions adjustments		3,138	10,667
		<u>12,745</u>	<u>20,525</u>
Adjustment for investing or financing activities			
Interest payable		2,171	1,956
Interest receivable		(138)	-
Movement in endowment reserve		-	(4)
Grants received		(4,541)	(4,055)
Loss/(profit) on sale of fixed assets		69	(10,115)
Net cash flow from operating activities		<u>10,306</u>	<u>8,307</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	11,940
Payments made to acquire fixed assets		(14,268)	(21,726)
Payments relating to assets held for resale		-	(125)
		<u>(14,268)</u>	<u>(9,911)</u>
Cash flows from financing activities			
Interest paid		(2,127)	(1,907)
Interest element of finance lease rental payments		(44)	(49)
Interest receivable		138	-
Capital grants received		4,541	4,055
Repayments of amounts borrowed		(1,600)	(8,100)
New secured loan		-	6,500
Capital element of finance lease rental payments		(216)	(186)
		<u>692</u>	<u>313</u>
Decrease in cash and cash equivalents in the year		<u>(3,270)</u>	<u>(1,291)</u>
Cash and cash equivalents at beginning of the year	18	13,760	15,051
Cash and cash equivalents at end of the year	18	10,490	13,760

Notes to the Accounts

1. Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2022/23 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous revaluations as deemed cost at transition for certain non-current assets.

Basis of consolidation

The consolidated financial statements include the Corporation’s three further education colleges and the subsidiaries, Leeds Conservatoire and White Rose Resourcing Limited. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation.

In accordance with FRS 102, the activities of the student union have not been consolidated because the group does not control those activities. All financial statements are made up to 31 July 2023.

Going concern

The financial position of the group and FE colleges, their cashflows, liquidity and borrowings are presented in the Financial Statements and accompanying notes.

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

The group has prepared cash flow forecasts to July 2025 - a period in excess of 12 months from the date of approval of these financial statements. After reviewing these forecasts, the group is of the opinion that the group and the FE colleges will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The DfE has approved a £28,689k loan for the group to meet the majority of the match funding requirements for the four FECTF projects and three growth projects in Leeds, providing the group with financing to deliver a number of key capital schemes over the next two years.

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

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from OfS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Grants (including research grants) from non-government sources are recognised in income when the group 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.

All capital grants are recognised in income when the group is entitled to the funds subject to any performance related conditions being met, in accordance with the performance model of accounting which is permitted in FRS 102.

Income from tuition fees is recognised in the period to which it relates and includes all fees payable by students or their sponsors.

All income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned.

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

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

Post retirement benefits

Post-employment benefits to employees of the group are principally provided by the Teachers' Pension Scheme (TPS) and the West Yorkshire Pension Fund (WYPF). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated 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 valuations using a prospective benefit method. The TPS is a multi-employer scheme and the group is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the

contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The WYPF is a funded scheme. The assets of the WYPF are measured using closing fair values. WYPF liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Short term employment benefits

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

Enhanced pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by the group annually. An estimate of the expected future costs of any enhancement to the on-going pension of a former member of staff is charged in full to the group's Statement of Comprehensive Income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-Current Assets – Tangible fixed assets

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

Land and buildings

Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the college of between 20 and 50 years. The group has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 5 and 50 years. Leasehold land and buildings are depreciated on a straight-line basis over their expected economic life to the group of 60 years or, if shorter, the period of the lease.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are released to income in accordance with the performance model of accounting permitted under FRS 102.

A review for impairment of a fixed asset is carried out if events or changes in circumstances

indicate that the carrying amount of the fixed asset may not be recoverable.

On adoption of FRS 102, the college followed the transitional provision to retain the book value of land and buildings, but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase, it is charged to the Statement of Comprehensive Income in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

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

Equipment

Equipment costing less than £2,000 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost.

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

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

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

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

Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Intangible assets

Intangible assets are initially stated at cost and are amortised on a systematic basis over their useful lives.

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 stock.

Cash and cash equivalents

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

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

Financial liabilities

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

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

Foreign currency translation

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

Taxation

The group is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the group is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The group is partially exempt in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions

Provisions are recognised when the group 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.

Agency Arrangements

The group acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Statement of Comprehensive Income of the colleges where the group is

exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

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 group 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 group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- As the present value of the funded benefits within the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a notional surplus. As management do not consider that the Group will be able to recover the surplus either through reduced contributions in the future or through refunds from the plan, the surplus has not been recognised in these financial statements in line with paragraph 28.22 of FRS102. The present value of the unfunded benefits within the defined benefit obligation is greater than the fair value of plan assets and is still therefore recognised as a liability.

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 useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Where assets have been impaired the quantification of any such impairments has been estimated based upon the advice of appropriate professionals.

- *Local Government Pension Scheme - West Yorkshire Pension Fund*

The present value of the West Yorkshire Pension Fund defined benefit asset/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 19, will impact the carrying amount of the pension liability. The latest full actuarial valuation performed at 31 March 2022 has been used by the actuary in valuing the pensions asset/liability at 31 July 2023.

2. Funding Body Grants

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Funding body recurrent grants	88,031	86,068	77,641	77,154
Specific grants	6	6	470	470
Capital grants	<u>4,541</u>	<u>4,541</u>	<u>4,055</u>	<u>4,055</u>
Total	<u>92,578</u>	<u>90,615</u>	<u>82,166</u>	<u>81,679</u>

2.1 Grant and fee income

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Grant income from the Office for Students	2,242	778	1,235	748
Grant income from other bodies	-	-	-	-
Fee income for taught awards (exclusive of VAT)	20,290	8,336	21,595	9,044
Fee income for research awards (inclusive of VAT)	-	-	-	-
Fee income for non-qualifying course	<u>618</u>	<u>618</u>	<u>714</u>	<u>714</u>
	<u>23,150</u>	<u>9,732</u>	<u>23,544</u>	<u>10,506</u>

This only includes amounts relating to courses at Level 4 and above.

3. Tuition fees and education contracts

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Tuition fees	23,329	9,505	25,425	11,001
Education contracts	<u>1,216</u>	<u>1,216</u>	<u>1,014</u>	<u>1,012</u>
Total	<u>24,545</u>	<u>10,721</u>	<u>26,439</u>	<u>12,013</u>

4. Research grants and contracts

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
European Commission	454	454	678	656
Other grants and contracts	872	772	579	334
Coronavirus Job Retention Scheme grant	-	-	65	65
Total	<u>1,326</u>	<u>1,226</u>	<u>1,322</u>	<u>1,055</u>

5. Other income

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Catering and residences	20	7	17	15
Other income generating activities	1,374	1,121	1,573	1,358
Miscellaneous income	<u>2,450</u>	<u>3,387</u>	<u>1,900</u>	<u>3,574</u>
Total	<u>3,844</u>	<u>4,515</u>	<u>3,490</u>	<u>4,947</u>

6. Investment income

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Other interest receivable	<u>138</u>	<u>138</u>	<u>1</u>	<u>1</u>

7. Donations and endowments

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Restricted donation	-	-	-	-
Unrestricted donations	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>

8. Staff costs

The average number of persons (including key management personnel) employed by the Group during the year, described as an average headcount, was:

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	Number	Number	Number	Number
Teaching staff	1,593	1,283	1,719	1,398
Non teaching staff	716	608	688	577
	<u>2,309</u>	<u>1,891</u>	<u>2,407</u>	<u>1,975</u>

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Staff costs for the above persons:				
Wages and salaries	57,961	50,770	54,492	47,628
Social security costs	5,249	4,650	4,939	4,323
Other pension costs*	13,358	11,458	18,710	15,805
Payroll sub total	<u>76,568</u>	<u>66,878</u>	<u>78,141</u>	<u>67,756</u>
Contracted out staffing services	3,063	2,951	2,701	2,611
Staff Costs	<u>79,631</u>	<u>69,829</u>	<u>80,842</u>	<u>70,367</u>
Restructuring costs	270	91	332	316
	<u>79,901</u>	<u>69,920</u>	<u>81,174</u>	<u>70,683</u>

*Other pension costs include FRS102 adjustments of £2,816k (2021/22: £9,277k).

The group has salary sacrifice arrangements for childcare vouchers and cycle to work schemes.

During 2022/23 the group paid 21 severance payments in the year, disclosed in the following bands:

£0 - £25,000	21
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Included in staff restructuring costs are special severance payments totalling £21k. Individually, the payments were: £4k and £17k.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group and are represented by the Executive Leadership Team, as detailed on page 2. During the year there were five postholders in total. There were no compensation payments to key management personnel for loss of office in 2022/23 (2021/22: £nil)

Emoluments of key management personnel, Accounting Officer and other higher paid staff

	2023 Group Number	2023 FE Colleges Number	2022 Group Number	2022 FE Colleges Number
The number of key management personnel including the Accounting Officer was:	5	5	6	6

The number of key management personnel and other staff who received annual emoluments, excluding employer contributions to national insurance and pensions but including benefits in kind, in the following ranges was:

	Group 2023 Number	FE Colleges 2023 Number	Group 2022 Number	FE Colleges 2022 Number
Key management personnel:				
£55,001 to £60,000 p.a.	-	-	1	1
£75,001 to £80,000 p.a.	-	-	1	1
£80,001 to £85,000 p.a.	1	1	-	-
£85,001 to £90,000 p.a.	1	1	1	1
£100,001 to £105,000 p.a.	-	-	1	1
£105,001 to £110,000 p.a.	1	1	-	-
£135,001 to £140,000 p.a.	-	-	1	1
£145,001 to £150,000 p.a.	1	1	-	-
£200,001 to £205,000 p.a.	-	-	1	1
£205,001 to £210,000 p.a.	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>
	<u>5</u>	<u>5</u>	<u>6</u>	<u>6</u>

	Group 2023 Number	FE Colleges 2023 Number	Group 2022 Number	FE Colleges 2022 Number
Other staff:				
£60,001 to £65,000 p.a.	4	4	6	3
£65,001 to £70,000 p.a.	6	3	1	2
£70,000 to £75,000 p.a.	3	3	7	7
£75,001 to £80,000 p.a.	6	6	1	1
£80,001 to £85,000 p.a.	1	1	-	-
£90,001 to £95,000 p.a.	1	1	-	-
£95,001 to £100,000 p.a.	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>
	<u>22</u>	<u>18</u>	<u>16</u>	<u>13</u>

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	2023 £000	2022 £000
Key management personnel compensation is made up as follows:		
Salaries	632	665
Payment in lieu of pension	71	48
Pension contributions	<u>69</u>	<u>99</u>
Total emoluments	<u>772</u>	<u>812</u>

The pension contributions in respect of the Chief Executive Officer and key management personnel are in respect of employer's contributions to the Teachers' Pension Scheme and West Yorkshire Pension Fund and are paid at the same rate as for other employees. The Accounting Officer and one other member of the key management personnel group received salary in lieu of pension contributions.

The above compensation includes amounts payable to the Chief Executive Officer, who is the Accounting Officer and who is also the highest paid member of staff. Their pay and remuneration are as follows:

	2023 £000	2022 £000
Salary	205	201
Payment in lieu of pension	<u>49</u>	<u>48</u>
	<u>254</u>	<u>249</u>

The members of the Board other than the Chief Executive Officer and the staff members did not receive any payment from the group other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles.

The remuneration package of the Chief Executive Officer is subject to annual review by the Remuneration Committee who use benchmarking information to provide objective guidance. The Chief Executive Officer reports to the Chair of the Corporation, who undertakes an annual review of their performance against the group's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Chief Executive Officer pay and remuneration expressed as a multiple

	2023	2022
CEO's basic salary as a multiple of the median of all staff	7.0	7.2
CEO's total remuneration as a multiple of the median of all staff	7.2	7.5

The calculation for median pay is based upon the full-time equivalent salary of all staff who have been employed during the year plus the actual payments for other pay costs.

9. Other operating expenses

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Teaching costs	11,168	9,474	9,018	8,216
Non teaching costs	11,168	8,797	10,884	9,383
Premises costs	10,540	8,888	10,407	8,381
Total	<u>32,876</u>	<u>27,159</u>	<u>30,309</u>	<u>25,980</u>

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Non teaching costs above include:				
Auditors remuneration:				
- financial statements audit	110	74	108	72
- internal audit	89	54	71	46
Other services provided by the financial statement auditor	-	-	-	-
Other services provided by the internal auditor	-	-	-	-
Hire of assets under operating leases	1,248	1,004	1,603	1,365

Access and participation spending	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Access investment	150	150	64	64
Financial support to students	703	245	703	247
Disability support	151	125	163	135
Research and evaluation	42	35	28	22

The FE colleges have an access and participation plan that has been approved by the OfS's Director of Fair Access and Participation. The amounts disclosed in this note include expenditure for:

- Access investment. This includes all expenditure in the financial year on activities and measures that support the ambitions set out in an access and participation plan, where they relate to access to higher education.
- Financial support provided to students in the financial year (such as bursaries, scholarships, etc.).
- Support for disabled students in the financial year, which can include, but is not limited to, the disabled students' premium.

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- Research and evaluation related to access and participation activities in the financial year.

https://ucl Leeds.ac.uk/wp-content/uploads/2019/10/LeedsCityCollege_APP_2020-21.pdf

10. Interest and other finance costs

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
On bank loans, overdrafts and other loans	2,127	2,127	1,907	1,900
Total	2,127	2,127	1,907	1,900
On finance leases	44	-	49	-
Pension finance costs	442	308	1,507	1,224
	2,613	2,435	3,463	3,124

11. Tangible fixed assets – Group

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Leasehold			
	£000	£000	£000	£000	£000
Cost					
At 1 August 2022	172,552	18,663	17,471	18,825	227,511
Reclassified as intangible assets	-	-	(220)	-	(220)
Additions	-	-	-	13,728	13,728
Transfers	18,014	165	4,701	(22,880)	-
Impairment	(902)	-	-	-	(902)
Disposals	-	-	(620)	-	(620)
At 31 July 2023	189,664	18,828	21,332	9,673	239,497
Accumulated depreciation					
At 1 August 2022	28,204	7,931	13,324	-	49,459
Reclassified as intangible assets	-	-	(220)	-	(220)
Charge for year	4,168	825	1,871	-	6,864
Impairment	(174)	-	-	-	(174)
Disposals	-	-	(551)	-	(551)
At 31 July 2023	32,198	8,756	14,424	-	55,378
Net book value at 31 July 2023	157,466	10,072	6,908	9,673	184,119
Net book value at 31 July 2022	144,348	10,732	4,147	18,825	178,052

Tangible fixed assets (continued) – FE Colleges

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Leasehold			
	£000	£000	£000	£000	£000
Cost					
At 1 August 2022	172,552	3,434	12,977	18,823	207,786
Reclassified as intangible assets	-	-	(220)	-	(220)
Additions	-	-	-	13,214	13,214
Transfers	18,014	165	4,389	(22,568)	-
Impairment	(902)	-	-	-	(902)
Disposals in year	-	-	(48)	-	(48)
At 31 July 2023	<u>189,664</u>	<u>3,599</u>	<u>17,098</u>	<u>9,469</u>	<u>219,830</u>
Accumulated depreciation					
Balance 1 August 2022	28,204	2,246	10,570	-	41,020
Reclassified as intangible assets	-	-	(220)	-	(220)
Charge for year	4,168	334	1,559	-	6,061
Impairment	(174)	-	-	-	(174)
Disposals in year	-	-	(48)	-	(48)
At 31 July 2023	<u>32,198</u>	<u>2,580</u>	<u>11,861</u>	<u>-</u>	<u>46,639</u>
Net book value at 31 July 2023	<u>157,466</u>	<u>1,019</u>	<u>5,237</u>	<u>9,469</u>	<u>173,191</u>
Net book value at 31 July 2022	<u>144,348</u>	<u>1,188</u>	<u>2,407</u>	<u>18,823</u>	<u>166,766</u>

Leasehold includes long and short leasehold properties of between 35 and 60 years.

The net book value of tangible fixed assets includes an amount of £2,946k in respect of assets held under finance leases. The depreciation charge on these assets for the year was £80k.

In December 2022, a fire caused damage to part of the Printworks campus. The reinstatement of the damaged area is covered by the group's insurer and the asset has been impaired to reflect the value of the fire damage. The net impairment charge of £728k is included in 'depreciation, amortisation and impairment' in the Statement of Comprehensive Income.

12. Intangible fixed assets – FE Colleges and Group

	Software development	Assets in the course of construction	Total
	£000	£000	£000
At 1 August 2022	-	-	-
Reclassified as intangible assets	220	-	220
Additions	-	540	540
At 31 July 2023	<u>220</u>	<u>540</u>	<u>760</u>
Accumulated amortisation			
At 1 August 2022	-	-	-
Reclassified as intangible assets	<u>220</u>	-	<u>220</u>
At 31 July 2023	<u>220</u>	=	<u>220</u>
Net book value at 31 July 2023	=	<u>540</u>	<u>540</u>
Net book value at 31 July 2022	=	=	=

13. Investments

On 7 April 2011 the college formed Leeds College of Music, a company limited by guarantee and incorporated in England and Wales. On 1 August 2011 the company acquired the assets and liabilities of the higher education corporation known as Leeds College of Music for no consideration. Leeds College of Music Limited commenced trading on 1 August 2011. On 11 August 2020 Leeds College of Music changed its name to Leeds Conservatoire.

The group formed White Rose Resourcing Limited, a private limited company incorporated in England and Wales with 2 ordinary shares of £1 each. White Rose Resourcing Limited commenced trading on 1 September 2015. For the year to 31 July 2023, White Rose Resourcing Limited had a loss of £nil and negative reserves of £67k. For the year ending 31 July 2023, White Rose Resourcing Limited (registered number 09576925) was entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.

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14. Debtors

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	1,954	1,690	1,995	1,748
Other debtors	423	341	135	125
Prepayments and accrued income	5,045	4,404	4,069	3,824
Amounts owed by funding bodies	<u>452</u>	<u>452</u>	<u>-</u>	<u>-</u>
	7,874	6,887	6,199	5,697
Amounts falling due after one year:				
Prepayments and accrued income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>7,874</u>	<u>6,887</u>	<u>6,199</u>	<u>5,697</u>

15. Creditors: amounts falling due within one year

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Bank loans and overdrafts	1,549	1,549	1,528	1,528
Obligations under finance leases	221	-	191	-
Payments received in advance	606	134	883	481
Trade creditors	2,904	2,639	1,625	1,370
Amounts owed to group undertakings	-	2,751	-	3,159
Other creditors	3,053	2,890	5,214	5,067
Other taxation and social security	1,298	1,141	1,199	1,077
Accruals	6,246	5,181	7,422	7,076
Deferred income – capital grants	<u>6,734</u>	<u>6,734</u>	<u>-</u>	<u>-</u>
Total	<u>22,611</u>	<u>23,019</u>	<u>18,062</u>	<u>19,758</u>

16. Creditors: amounts falling due after more than one year

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Bank loans	33,019	33,019	34,501	34,501
Obligations under finance leases	<u>1,254</u>	<u>-</u>	<u>1,500</u>	<u>-</u>
Total	<u>34,273</u>	<u>33,019</u>	<u>36,001</u>	<u>34,501</u>

Maturity of debt

(a) Bank loans

Bank loans are repayable as follows:

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Repayments due;				
In one year or less	1,549	1,549	1,528	1,528
Between one and two years	1,549	1,549	1,528	1,528
Between two and five years	11,145	11,145	11,086	11,086
In five years or more	<u>20,325</u>	<u>20,325</u>	<u>21,887</u>	<u>21,887</u>
Total	<u>34,568</u>	<u>34,568</u>	<u>36,029</u>	<u>36,029</u>

In March 2021 the group refinanced its long-term debt and a £32m secured loan with Santander UK PLC was put in place with annual capital repayments of £1.6m. This loan has a term of ten years and there is a final capital repayment of £16.4m at the end of the term. The interest rate on this loan is fixed at 5.3%. During 2021/22 a revolving credit facility was entered into with Santander amounting to £16.5m for a five-year period at a variable rate of interest. As at 31 July 2023 £6.5m of this facility had been utilised, the remaining part of this facility will not be utilised. This will be replaced by a DfE Loan that has been offered to the group. The Santander loans are secured by a legal charge on a portion of the freehold land and buildings of the group.

(b) Finance leases

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Payments due;				
In one year or less	221	-	191	-
Between two and five years	947	-	816	-
In five years or more	<u>307</u>	<u>-</u>	<u>684</u>	<u>-</u>
Total	<u>1,475</u>	<u>-</u>	<u>1,691</u>	<u>-</u>

Finance leases obligations are secured on the assets to which they relate. The finance lease above relates to the occupation of Joseph Stones House by Leeds Conservatoire. All financial instruments meet the definition of basic in FRS102.

17. Provisions for liabilities and charges

Group	Defined benefit obligations £000	Enhanced pensions £000	Other £000	Total £000
At 1 August 2022	13,777	1,404	644	15,825
Expenditure charged to the provision	(4,761)	(121)	(287)	(5,169)
Additions/(releases) to/from the provision	<u>(8,783)</u>	<u>(75)</u>	<u>(357)</u>	<u>(9,215)</u>
At 31 July 2023	<u>233</u>	<u>1,208</u>	<u>-</u>	<u>1,441</u>

FE Colleges	Defined benefit obligations £000	Enhanced pensions £000	Other £000	Total £000
At 1 August 2022	9,494	1,218	148	10,860
Expenditure in the period	(3,677)	(102)	(93)	(3,872)
Transferred (to)/from income and expenditure	<u>(5,589)</u>	<u>(73)</u>	<u>(55)</u>	<u>(5,717)</u>
At 31 July 2023	<u>228</u>	<u>1,043</u>	<u>-</u>	<u>1,271</u>

The enhanced pension provision relates to the cost of staff who have already left the group's employ and commitments for reorganisation cost from which the group cannot reasonably withdraw at the balance sheet date. This provision has been calculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2023	2022
Interest rate	5.0%	3.3%
Inflation rate	2.8%	2.9%

Other provisions relate to amounts provided to meet potential costs that could arise from employment related claims or the outcome of court rulings.

18. Group cash and cash equivalents

	At 1 August 2022	Cashflows	Other changes	At 31 July 2023
	£000	£000	£000	£000
Cash and cash equivalents	13,760	(3,270)	-	10,490
Bank loans – short term	(1,528)	-	21	(1,507)
Bank loans – long term	(34,501)	1,600	(118)	(33,019)
Finance lease obligations – short term	(191)	-	(30)	(221)
Finance lease obligations – long term	(1,500)	216	30	(1,254)
Total	<u>(23,960)</u>	<u>(1,454)</u>	<u>(97)</u>	<u>(25,511)</u>

19. Defined benefit obligations

The group's employees belong to three pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; the West Yorkshire Pension Fund (WYPF) for non-teaching staff; and the People's Pension. The TPS and WYPF are defined benefit schemes and the People's Pension is a defined contribution scheme.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was as at 31 March 2016 and of the WYPF was as at 31 March 2022.

Total pension cost for the year

	Group 2023 £000	Group 2022 £000
Teachers' Pension Scheme: Contributions paid	5,595	5,238
West Yorkshire Pension Fund:		
Contributions paid	4,641	4,026
FRS102 charge	<u>2,816</u>	<u>9,277</u>
Charge to Income and Expenditure	7,457	13,303
People's Pension – contributions paid	103	87
Other pension accruals	<u>(61)</u>	<u>82</u>
Total pension cost for year	<u>13,094</u>	<u>18,710</u>

Teachers' pension scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS. 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.

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 group 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.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2022/23 academic year.

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/2019/04/teachers-pensions-valuation-report.aspx>

The pension costs paid to TPS in the year amounted to £5,595k (2021/22: £5,238k).

West Yorkshire Pension Fund (WYPF)

The WYPF is a funded defined-benefit plan, with the assets held in separate trustee administered fund. The total contribution made for the year ended 31 July 2023 was £6,379k (2021/22: £5,570k), of which employer's contributions totalled £4,641k and employees' contributions totalled £1,738k. The agreed employer contribution rate for 2023/24 is 17.3% for both the FE colleges and Leeds Conservatoire, and employee contribution rates range from 5.5% to 12.5% depending on salary.

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 31 July 2023 by Aon.

FRS 102 Principal Actuarial Assumptions

	FE Colleges At 31 July 2023 WYPF funded benefits	FE Colleges At 31 July 2023 WYPF unfunded benefits	FE Colleges At 31 July 2022 WYPF funded benefits	FE Colleges At 31 July 2022 WYPF unfunded benefits
Expected rate of salary increases	3.85%	n/a	3.85%	n/a
Future pension increases	2.6%	2.6%	2.6%	2.6%
Discount rate	5.0%	5.0%	3.5%	3.5%
Inflation assumption (CPI)	2.6%	2.6%	2.6%	2.6%

The expected return on scheme assets was determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected yields on bonds are based on gross redemption yields at the balance sheet date whilst the expected returns on the equity and property investments reflect the long-term real rates of return experienced in the respective markets.

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

	At 31 July 2023	At 31 July 2022
<i>Retiring today</i>		
Males	21.0	21.8
Females	22.2	22.5
<i>Retiring in 20 years</i>		
Males	24.1	24.6
Females	25.1	25.7

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The group's estimated share of the asset and liabilities in the scheme and the expected rates of return were:

	Group	FE	Group	FE
	Value at	Colleges	Value at	Colleges
	31 July 2023	Value at	31 July 2022	Value at
	£000	31 July 2023	£000	31 July 2022
		£000		£000
Equities	122,338	105,678	115,984	99,950
Government Bonds	11,302	9,763	10,092	8,697
Corporate bonds	6,873	5,937	6,289	5,420
Property	5,040	4,354	5,850	5,041
Cash	5,957	5,145	5,850	5,041
Other	1,222	1,056	2,194	1,891
Total market value of assets	152,732	131,933	146,259	126,040
Actual return on plan assets	3,646	4,286	6,676	19,676

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	Group	FE	Group	FE
	2023	Colleges	2022	Colleges
	£000	2023	£000	2022
		£000		£000
Fair value of plan assets	152,732	131,933	146,259	126,040
Present value of plan liabilities	(139,956)	(120,514)	(159,793)	(135,296)
Present value of unfunded liabilities	(233)	(228)	(243)	(238)
Present value of liabilities	12,543	11,191	(13,777)	(9,494)
Less notional surplus not recognised	(12,776)	(11,419)	-	-
Net pensions liability as recognised in these financial statements	(233)	(228)	(13,777)	(9,494)

As the present value of the funded benefits within the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a notional surplus. As management do not consider that the group will be able to recover the surplus either through reduced contributions in the future or through refunds from the plan, the surplus has not been recognised in these financial statements in line with paragraph 28.22 of FRS102. The present value of the unfunded benefits within the defined benefit obligation is greater than the fair value of plan assets and is still therefore recognised as a liability.

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

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Amounts included in staff costs				
Current service cost	7,577	5,841	13,403	10,582
Past service cost	-	-	122	122
Curtailment costs	-	-	-	-
Total	<u>7,577</u>	<u>5,841</u>	<u>13,525</u>	<u>10,704</u>

Amounts included in interest and other finance costs

Interest on pension liabilities	396	268	1,481	1,200
Net interest cost	<u>396</u>	<u>268</u>	<u>1,481</u>	<u>1,200</u>

Amounts recognised in other comprehensive income

Return on pension plan assets	(1,503)	(155)	4,321	3,746
Experience gains arising on defined benefit obligations	31,035	23,272	81,902	67,530
Notional surplus not recognised	<u>(12,776)</u>	<u>(11,419)</u>	-	-
Amount recognised in other comprehensive income	<u>16,756</u>	<u>11,698</u>	<u>86,223</u>	<u>71,276</u>

Movement in net defined benefit liability during the year

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Deficit in scheme at 1 August	(13,777)	(9,494)	(89,242)	(72,250)
Movement in year:				
Current service cost	(7,577)	(5,841)	(13,403)	(10,582)
Employer contributions	4,761	3,677	4,248	3,384
Past service cost	-	-	(122)	(122)
Curtailments and settlements	-	-	-	-
Net interest on the defined (liability)/asset	(396)	(268)	(1,481)	(1,200)
Net benefits paid out	-	-	-	-
Remeasurement gains on assets	(1,503)	(155)	4,321	3,746
Actuarial gain or loss	31,035	23,272	81,902	67,530
Notional surplus not recognised	<u>(12,776)</u>	<u>(11,419)</u>	-	-
Net defined benefit liability at 31 July	<u>(233)</u>	<u>(228)</u>	<u>(13,777)</u>	<u>(9,494)</u>

Asset and liability reconciliation

Changes in the present value of defined benefit obligations

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Defined benefit obligations at start of period	160,036	135,534	226,648	191,362
Current service cost	7,577	5,841	13,403	10,582
Interest cost	5,545	4,709	3,836	3,235
Contributions by scheme participants	1,743	1,327	1,543	1,187
Experience gains and losses on defined benefit obligations	(31,035)	(23,272)	(81,902)	(67,530)
Benefits paid	(3,677)	(3,397)	(3,614)	(3,424)
Past service cost	-	-	122	122
Curtailments and settlements	-	-	-	-
Defined benefit obligations at end of period	140,189	120,742	160,036	135,534

Reconciliation of assets

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Fair value of plan assets at start of period	146,259	126,040	137,406	119,112
Interest on plan assets	5,149	4,441	2,355	2,035
Remeasurement gains on assets	(1,503)	(155)	4,321	3,746
Return on plan assets	-	-	-	-
Employer contributions	4,761	3,677	4,248	3,384
Contributions by scheme participants	1,743	1,327	1,543	1,187
Benefits paid	(3,677)	(3,397)	(3,614)	(3,424)
Assets at end of period	152,732	131,933	146,259	126,040

20. Post balance sheet events

In the period since 31 July 2023, the group has entered into a facility agreement with the Department for Education to provide loan funding for a number of major projects over the next two years. The total amount of funding available under this facility is £28,689k and the agreement was completed on 31 October 2023.

LUMINATE EDUCATION GROUP
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for the year ended 31 July 2023

21. Capital commitments

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Commitments contracted for as at 31 July	<u>519</u>	<u>519</u>	<u>4,766</u>	<u>4,553</u>
Authorised but not contracted at 31 July	<u>72,213</u>	<u>69,943</u>	<u>5,643</u>	<u>5,643</u>

The authorised but not contracted commitments at 31 July 2023 includes £64.3m in respect of the four Further Education Capital Transformation projects.

Lease obligations

At 31 July the college had future minimum lease payments under non-cancellable operating leases as follows:

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Land and buildings				
Not later than one year	1,296	895	553	400
Later than one year and not later than five years	2,793	1,616	1,388	876
Later than five years	<u>3,207</u>	<u>12</u>	<u>3,157</u>	<u>97</u>
	<u>7,296</u>	<u>2,523</u>	<u>5,098</u>	<u>1,373</u>
Other				
Not later than one year	367	367	248	245
Later than one year and not later than five years	21	21	79	79
Later than five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>388</u>	<u>388</u>	<u>327</u>	<u>324</u>

22. Related party transactions

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

Colin Booth is a Trustee of the White Rose Academies Trust and Director of the West Yorkshire Consortium of Colleges. During the year Luminate Education Group received £220k (2021/22: £705k) from White Rose Academies Trust for IT services provided to the Trust. During the year Luminate Education Group received £811k (2021/22: £1,037k) from West Yorkshire Colleges Consortium for service charges, salary recharges, rent and project income. Luminate Education Group paid £9k (2021/22: £7k) for subscription fees and carbon literacy training.

Cath Lennon is Chief Officer, Leeds City Council. During the year Luminate Education Group received £422k (2021/22: £413k) from Leeds City Council for tuition fees, social care funding, and for delivering LCC's Community Learning provision. Luminate Education Group paid Leeds City Council £635k (2021/22: £198k) for rates, premises, rental and service charges, and marketing to Leeds schools' students and parents.

David Warren is a trustee of Project Space Leeds. During the year Luminate Education Group received £1k (2021/22: £nil) from Project Space Leeds for employer apprenticeship contributions.

Andrea Cowans is a Director of Gipsil Ltd. During the year Luminate Education Group received £1k (2021/22: £nil) from Gipsil Ltd for employer apprenticeship contributions.

Joe Wilson is chair of Yorkshire Young Musicians (YYM) and Anna Keogh is a member of Yorkshire Young Musicians. During the year Luminate Education Group received £40k (2021/22: £60k) from YYM for facilities hire.

Amanda Wilcox was Pro Vice Chancellor at York St John University until September 2022 and Andrew Chang is a governor. During the year Luminate Education Group received £0k (2021/22: £23k) from York St John University for coaching services.

Transactions with the funding bodies are detailed in note 2.

The group has provided IT services to the White Rose Academies Trust totalling £220k during the year (2021/22: £705k)

The group has a range of transactions with Leeds Conservatoire, its wholly owned subsidiary company. The group corporation has provided a number of shared services to Leeds Conservatoire during the year including Estates, HR, IT, Finance and corporate support. The cost charged for these services during the year was £2,636k (2021/22: £1,793k). Recharges from the Conservatoire for the provision of a range of services including Events and Enterprise, Quality and Student Experience and recruitment and marketing were made during the year totalling £569k (2021/22: £37k). The group provides a treasury management service to the

Leeds Conservatoire and at the year end the group owed Leeds Conservatoire £2,788k (2021/22: £3,197k). In common with previous years, the group has provided a letter of support to the Leeds Conservatoire Board of directors in the respect of the ongoing availability of working capital support should this be required over the next 12 months. The group has obtained consent from the DfE to provide this letter of support.

The group also wholly owns White Rose Resourcing (WRR). During the year no transactions were made between the organisations. The company owed the group £38k at the year end (2021/22: £38k).

23. Amounts disbursed as agent

Learner support funds

	Group	FE Colleges	Group	FE Colleges
	2023	2023	2022	2022
	£000	£000	£000	£000
Funding body grants	350	350	387	387
Disbursed to students	<u>(280)</u>	<u>(280)</u>	<u>(272)</u>	<u>(272)</u>
Balance underspent as at 31 July	<u>70</u>	<u>70</u>	<u>115</u>	<u>115</u>

Funding body grants are available solely for students in the majority of instances and the group only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the statement of comprehensive income.