

**THE LIVERPOOL INSTITUTE FOR
PERFORMING ARTS**

ANNUAL REPORT

YEAR ENDED 31st JULY 2020

COMPANY NUMBER: 02511501
REGISTERED CHARITY: 1001565

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Annual Report For the year ended 31st July 2020

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THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Legal and Administrative Details For the year ended 31st July 2020

Status

The Liverpool Institute for Performing Arts (referred to as LIPA, the Institute or the company and collectively with its subsidiary the group) is a company limited by guarantee, with each member guaranteeing £1, registered number 02511501. The company is a registered charity, number 1001565.

Registered Office

Mount Street
Liverpool
L1 9HF

Advisors

Bankers

Santander plc
Bridle Road
Bootle
Merseyside
L30 4GB

Royal Bank of Scotland plc
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Liverpool
L2 2PP

Solicitors

Swan Turton
68A Neal Street
London
WC2H 9PA

Weightmans LLP
100 Old Hall Street
Liverpool
L3 9QJ

Independent Auditors

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

Internal Auditors

RSM Risk Assurance Services LLP
14th Floor
20 Chapel Street
Liverpool
L3 9AG

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Operating and Financial Review For the year ended 31st July 2020

The directors present their Annual Report, including the Strategic Report, together with the group's audited Financial Statements for the year ended 31st July 2020.

1. Constitution and Objectives

LIPA is a company limited by guarantee. It does not have any shares and the liability of its members is limited. LIPA is a registered charity.

The objective of the company is the provision of education and training in the performing arts. In pursuit of this objective, the company became sole trustee of The Liverpool Institute Charity on 8th October 1993. The governing document of the company is its Articles of Association, which define the framework for corporate governance. The directors confirm compliance with both current statutory requirements and the governing document. In particular, the report complies with the requirements of the Charities Act 2011.

2. Organisation and Decision Making Structure

The directors, who are collectively referred to as Council, are also the trustees. New directors are appointed by the Council. The directors during the year and up to the date of signing the accounts were as follows:

Isabel Begg	Ian Jones - Chair
Gina Carter (from 16 June 2020)	Roger Morris
Julie Cullen (to 31 March 2020)	David Owen (from 19 March 2020)
James Dow	Frank Sanderson
Louise Ellman	Simeon Scheuber-Rush (from 9 November 2020)
Victoria Fea	Ken Webster (to 26 June 2020)
Mark Featherstone-Witty - Chief Executive	Andrew Westwood
Jonathan Ford	Philip Wood (to 31 March 2020)
Simon Fowler	Claire Workman
Geoffrey Goodwin - Vice Chair	Richard Young

The Council has established, through a scheme of delegation, several sub-committees some of which are formed on a short-term basis. Full information on company membership and committees may be obtained from the Company Secretary. Further information of the five main committees is detailed in the Corporate Governance Statement on page 13. Apart from the Chief Executive, none of the trustees (except for the designated staff trustee) receive any remuneration or benefit from their work with LIPA.

3. Background

LIPA is dedicated to providing the best teaching and learning for people who want to pursue a lasting career in the arts and entertainment sector. This is provided through a series of courses aimed at different age groups. These include pre-higher education courses and undergraduate programmes for those aged 18 and over and performing arts classes for 4-19 year olds.

In a usual year, we would run two seasons of public productions during which over 30 performances can be enjoyed by music, theatre and dance lovers. Due to COVID-19 restrictions from March 2020 onwards, some of our performances were sadly cancelled, whilst others were altered to become digital performances, which involved learning new skills and practices for both staff and students.

LIPA began teaching students in 1996. It was designated a higher education institute in 2006. It was formed by a combination of the ideas of the Founding Principal and current Chief Executive, Mark Featherstone-Witty, Sir George Martin and Sir Paul McCartney to develop a specialist performing arts school and also to save the school building in which Sir Paul had studied, from dereliction. Eleven years of planning and fundraising preceded the opening in 1996.

LIPA is not a conventional dance, drama or music college although the standard of professional training reflects the best of such institutions. The training process is based on an awareness of the need for

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Operating and Financial Review For the year ended 31st July 2020 continued

performing artists and those who make performance possible to collaborate creatively and integrate with their peers. The synergy between performers, producers, managers, designers and technicians enables the students to replicate industry practice giving a better understanding of the business they are entering. It prepares students for a lasting career in the performing arts industry.

4. Strategic Report

As a registered charity, the strategic report contains key aspects of LIPA's performance relating, but not limited to:

- Review of Activities and Achievement;
- Results for the year;
- Capital expenditure;
- Cash flows;
- Treasury Policies and Objectives;
- Public Benefit;
- Strategy and Risk;
- Estates; and
- Immediate Prospects.

5. Review of Activities and Achievement

(a) Higher Education

Undergraduate and Postgraduate Programmes

A total of 856 students undertook LIPA's BA and MA degree programmes as follows:

BA Acting	104
BA Acting (Screen and Digital Media)	15
BA Applied Theatre and Community Drama	68
BA Creative Technologies and Performance	16
BA Dance	90
BA Management of Music, Entertainment, Theatre and Events	82
BA Music	110
BA Music Songwriting and Performance	112
BA Music Songwriting and Production	33
BA Sound Technology	85
BA Theatre and Performance Design	47
BA Theatre and Performance Technology	77
MA Acting (Company)	17

Of the students, 664 were from the UK, 40 from other countries within the EU and 152 from countries outside the EU.

Our degree programmes are validated by Liverpool John Moores University as the awarding body, which confers the qualifications. This arrangement has been in place since LIPA's inception. Additionally, our academic standards need to comply with those monitored by the Quality Assurance Agency (QAA) for Higher Education. Our most recent QAA review in 2015 resulted in the following outcomes:

- The maintenance of the academic standards of awards offered on behalf of its degree-awarding bodies and/or other awarding organisations meets UK expectations;
- The quality of student learning opportunities meets UK expectations;
- The quality of the information about learning opportunities meets UK expectations; and
- The enhancement of student learning opportunities meets UK expectations.

(it should be noted that 'meets UK expectations' is the highest award possible)

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Operating and Financial Review For the year ended 31st July 2020 continued

Additionally, the QAA review identified the following features of good practice:

- The comprehensive range of individually tailored and flexible support provided for students; and
- The strategic approach to the use of deliberate and collaborative interdisciplinary practice, which prepares students for long-term employability.

In terms of further sector recognition for the quality of education provided at LIPA, it was awarded 'Gold' status following intensive scrutiny of key teaching and employability statistics in forming the Government's Teaching Excellence Framework.

Foundation Certificate

In addition to the BA and MA courses, 12 students studied on the LIPA foundation certificate in Popular Music and Music Technology, 16 students undertook the LIPA foundation certificate in Dance and 21 students undertook the LIPA foundation certificate in Acting.

These certificates are accredited by Liverpool John Moores University. The courses are a one-year full time intensive vocationally orientated programme designed to enable progression into the industry or provide preparation for degree level work. They receive no public funding.

Destinations

LIPA's aim is sustained employment and as a measure of success we undertake regular reviews of graduate activity three years after graduation. Our most recent survey of students who graduated in 2015 traced 84% of students and found that 89% were in employment with 78% in performing arts related employment.

(b) LIPA 4-19 Part Time Academy

LIPA 4-19 is a part time performing arts academy for 4 to 19 year olds. It aims to produce multi-disciplined all round performers with courses that comprise song, dance and acting. Courses are carefully designed to reflect the correct stage of performing arts development for each age group. For the individual, the skills learned help develop confidence and presentational skills. They stimulate imagination and creativity.

Its development originally centred on LIPA's premises but has now seen the formation of a sister school in Maghull. Expansion has also been achieved by introducing classes on Sundays and advanced classes. In general, all LIPA managed courses are oversubscribed with a large waiting list, indicating acceptance amongst students and parents.

Many of the students aged 7 to 19 undertook singing exams in 2019/20 and early starters aged 5 to 6 undertook dance exams.

Many students graduating from LIPA 4-19 have been accepted at highly credited colleges such as Guildford School of Acting, Performers College, Arts Educational, Urdang Academy, Mountview Academy of Theatre Arts, the Royal Academy of Dramatic Art (RADA) and Central School of Speech and Drama.

Once the students reach 16, many of them go on to train at the LIPA Sixth Form College and have also been accepted to study at LIPA on the degree courses.

This academy has additional corporate benefits: non-government revenue streams, utilisation of specialist facilities outside the normal Higher Education usage and generating expansion without the need for high levels of capital investment.

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Operating and Financial Review For the year ended 31st July 2020 continued

6. Results for the Year

The Financial Statements comply with the current statutory requirements and have been prepared in accordance with Applicable Accounting Standards in the United Kingdom. This includes the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 and in accordance with note 1 of the Accounting Policies.

At 31st July 2020 the group had free reserves of £18,569,857, cash at bank of £3,226,586 and borrowings of £772,501 (of which long-term borrowings were £226,976). The directors believe that sufficient resources are available to fulfil adequately the obligations of the group.

The group generated a surplus on continuing operations in the year of £2,025,169 (2019: £962,410) although it is worth noting that this includes Office for Students (OfS) Catalyst capital funding of £1,705,666 (2019: £1,161,817). The overall figure represents a surplus of 15.4% on income (2019: 7.9%). The financial objectives of the group include a targeted return of at least 3% of income. The underlying performance for the year to 31 July 2020 was a small surplus, compared with a small deficit in the year to 31 July 2019.

Total income increased by £1,027,228 to £13,173,414. The increase in income is mainly due to Catalyst capital funding from the OfS.

Income from OfS sources totalled £2,544,598 (2019: £2,100,421). This represents 19.3% of total income (2019: 17.3%). Included in the OfS funding is Catalyst funding, both revenue grant funding and capital funding. This is following LIPA's successful application to the Catalyst fund in November 2017.

Operating expenditure decreased by £35,531 to £11,148,245. This is primarily due to the COVID-19 pandemic which meant that some spending decisions were deferred and some resources were not used which would have been without the pandemic. The major element of expenditure related to staff costs, which increased by £238,986 to £7,266,649. Staff costs represented 55.2% of total income and 65.2% of total expenditure (2019: 57.90% and 62.8% respectively). Staff costs were not affected by the COVID-19 pandemic as we continued to pay our staff throughout the lockdown period.

Operating expenses decreased by £385,754 to £2,899,264. As noted above, the decrease is mainly due to the COVID-19 pandemic.

The group had net assets of £19,271,631 at 31st July 2020.

7. Capital Expenditure

The total capital additions in the year were £3,470,437. This money represents a continuance of our investment in our facilities and infrastructure, including investment in computer hardware and software. The year has seen extensive building work undertaken to increase the capacity and of teaching rooms. This work is continuing as part of our commitment to the LIPA 2022 Project, which is part-funded by the OfS Catalyst fund. The figure also includes funds in relation to the finalisation of the cost of the refurbishment of the 68 Hope Street building.

8. Cash Flows

The consolidated Cash Flow shows a net cash inflow from operating activities of £3,025,137 (2019: £1,628,677).

Total cash balances and deposits were £3,226,586 at 31st July 2020 (2019: £4,664,157). The group had borrowings of £772,501 by way of loan at 31st July 2020 (2019: £1,318,028).

Capital expenditure is funded partly from cash flow and partly from Catalyst grant funding from the Office for Students. LIPA's bankers have provided a flexible loan facility that covers any borrowing needed to cover cash short falls arising from the profile of receipts from the Student Loan Company.

The bank position gives comfort to the directors on the financial stability of the operation. Extra vigilance is being taken on cash collection given the profile of receipts from the Student Loans Company.

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Operating and Financial Review For the year ended 31st July 2020 continued

9. Subsidiary Undertakings

The company has one subsidiary undertaking, LIPA Enterprises Limited. Any distributable surpluses generated by the subsidiary are transferred to the Institute by way of donation in accordance with the Memorandum and Articles of Association. In the current year, LIPA Enterprises Limited generated an operating surplus of £2,096 (2019: deficit £1,203). The company will be dormant from 1 August 2020.

10. Unrestricted Reserves

LIPA deems all unrestricted reserves to be free funds for use in achieving the objectives of the company. The directors' view is that it is prudent to ensure that there are sufficient free funds at the current level to provide financial flexibility for the development of the strategic plan. Reserves will be utilised to ensure the continuing operation of the group and the expansion of capacity when appropriate. LIPA's approach is to retain sufficient free cash, or have bank facilities available, to meet three months' expenditure.

11. Endowment Reserves

Expendable endowment funds represent donations from various sources that are distributed in accordance with their wishes.

12. Treasury Policies and Objectives

Treasury management is the management of the Institute's cash flows, its banking and money market transactions. The major risks relate to the security of the banking institutions where the cash surplus is invested and the exposure to fluctuating interest rates. Given the current economic environment, there is no risk-free strategy. The Institute has adopted a risk minimisation strategy and only holds money with large high-street lenders (primarily the Royal Bank of Scotland group and Santander plc).

13. Pensions

The Institute participates in only one defined benefit scheme, the Teachers' Pension Scheme. It is not possible to separate out LIPA's share of the scheme. As a result, it is treated as a quasi-defined contribution scheme. After each valuation the future contribution rates are adjusted. The last adjustment occurred in March 2016, with contributions being increased from September 2019. A full explanation of pension commitments is given in note 27 to the accounts.

14. Policy on the Payment of Creditors

Payment terms for goods and services are agreed with the suppliers at the time of placing orders and are adhered to by the company. The company's policy is to pay creditors on the due date. Excluding disputed amounts, creditor payment days at 31st July 2020 were 16 days (2019: 35 days).

15. Accessibility and Widening Participation

LIPA is committed to a fair and transparent admission system. There is no discrimination on grounds of race, ethnicity, gender, sexual orientation, religion, disability or age. To ensure suitability is assessed effectively, 63 undergraduate interview and audition events were undertaken, to which 2,538 students were invited. Due to the COVID-19 pandemic, some of these were virtual events, but they followed the same access and widening participation protocols. Specialist support is provided for students with disabilities. Tutors have experience of working with dyslexia, mental health problems, long-term health problems, stress, organisational difficulties and sensory impairments. IT equipment provided includes accessibility software.

LIPA is particularly concerned to engage with disadvantaged young people and strives to widen participation from groups that are under-represented in higher education. LIPA is committed to a range of outreach initiatives and fair access measures, as detailed in our 2019/20 Access & Participation Plan. These are targeted towards:

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Operating and Financial Review For the year ended 31st July 2020 continued

- First degree entrants from lower socio-economic groups; and
- Students from low participation neighbourhoods.

LIPA is also keen to promote applications and support entrants from black and minority ethnic groups, pupils with disabilities, mature students and care leavers.

In pursuit of these objectives LIPA provides a number of financial support initiatives. In the year to 31st July 2020 these included:

- A LIPA bursary of £540 to students with a household income of £25,000 or below;
- Free auditions and/or travel grants to young people from low participation neighbourhoods across the UK to encourage greater attendance at auditions and interviews at LIPA;
- One free place on our Foundation Certificate in Dance and one free place on our Foundation Certificate in Acting, together with cash bursaries of £6,000 to applicants from low income households across the UK; and
- Four LIPA 4:19 Summer School fee waivers (£150 to £160 per place).

Through the Widening Participation (WP) team's activity, LIPA offers a range of opportunities for young people across the country that are designed to raise awareness and aspiration towards higher education progression. These are targeted at school/college groups and individuals primarily interested in performing arts and making performance possible.

NB: Due to the COVID-19 pandemic, all activities from mid-March onwards were delivered virtually, rather than face to face, and a small number of planned activities were cancelled.

During the year to 31st July 2020, LIPA worked closely with eight partner schools containing a significant number of students from under-represented groups. In order to encourage interest in performing arts-related subjects and identify talented students in these areas LIPA provided:

- 111 tailored support workshops and visits, known as LIPA Tasters, in partner schools with Year 7, 8 and 9 students (and on occasion Year 10 in a few schools). These ran in acting, backstage, dance, music and singing;
- Seven in-school assemblies to promote this provision; and
- An online Year 9 taster event in June, open to partner schools plus others from across Merseyside.

From year 10 onwards, LIPA offered a two-year programme of activities for individuals from state schools who met at least one WP eligibility criteria. This structured progression framework for Year 10 and Year 11 students consisted of:

- A number of audition sessions onto the programme, both in school and at LIPA;
- A taster event in November for students who had attended early audition event, attended by 57 students;
- A Year 10/11 welcome event for students and parents explaining the future activities on offer and showcasing the benefits of getting involved in the programme. This was attended by 95 people – participants and their accompanying supporters;
- LIPA XTRA, a 3-day course (delivered online due to COVID-19) attended by 13 Year 10 students who are interested in progressing to LIPA in the future. They chose to study acting, backstage, dance, music or singing for the week and participated in a series of practical workshops;
- The LIPA Summer Xperience, a 5-day summer school (delivered online due to COVID-19) attended by eight students finishing Year 10. Working together across four disciplines to put on their own showreel, the week culminated in a recording which was shared with participants and their families;
- An evening Skills Workshop event for Year 11 students. This session helped 26 young people with the development of skills and techniques for future auditions and interviews;
- LIPA Summer Engage. This 3-day project (delivered online due to COVID-19) supported five participants in thinking and planning their progression routes into a possible future in performing arts; and
- Two Explore Backstage - Making Performance Possible days. Participants split the day between a visit to the Royal Court Theatre / ACC Liverpool to see facilities there and talk to staff in order to gain

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Operating and Financial Review For the year ended 31st July 2020 continued

an understanding of what happens in a working theatre, alongside some practical backstage workshops at LIPA. These days were attended by 26 students from Years 10 and 11.

For students studying at a Sixth Form or Further Education College, LIPA delivered:

- Get Set, a 5-day course (delivered online due to coronavirus) attended by nine students who are interested in applying to LIPA for 2021 entry. They chose to study acting, applied theatre, dance, or music/singing for the duration of the project, which included a focus on application and audition awareness. Get Set participants also took part in a series of online evening activities, such as quizzes, student cooking demos and opportunities to view recordings of LIPA performances;
- A range of workshops with eight partner colleges for young people studying performing arts and making performance possible subjects at level 3 and considering higher education for 2020 and 2021 entry (additional workshops were also offered through our schools and colleges liaison work);
- Audition preparation phone calls for students from low participation neighbourhoods throughout January, February and March; and
- Five online live Q&A events between April and July with LIPA student/graduate panels.

LIPA also responded to a variety of requests for ad-hoc activities from various schools and community groups. In the year to 31st July 2020 LIPA provided:

- Seven visits to LIPA by non-partner schools and colleges. These visits included a tour and talk and, on occasion, a workshop in the student's chosen subject. These visits reached 110 students from Years 7 to 13;
- In-school workshops at a further four schools;
- Attendance at 42 careers fairs in local and regional schools / colleges with a LIPA / HE information stand;
- Online sessions linked to raising awareness of International Dance Day and Mental Health Awareness Week;
- Two Music Theory preparation workshops in October 2019 for 13 students interested in applying to Music; and
- The opportunity for local schools / colleges to attend one of LIPA's Public Performances (Chicago) and the first year Design and Construction exhibition.

LIPA has also engaged in activities closer to home, supporting its additional education ventures. Pupils currently at the LIPA Primary School participated in a series of live and online inspirational assemblies and workshop sessions in acting, singing, dance and backstage delivered through LIPA's widening participation provision. Learners at LIPA Sixth Form College participated in activities designed to raise awareness of the process for applying to study in Higher Education and to assist with building confidence and skills for preparing auditions / interviews, including live online Q&As and pre-recorded workshops as mentoring sessions for Design for Performance / Technical Theatre students. A number of further summer activities with LIPA Sixth Form College and LIPA Primary School were unfortunately cancelled due to the closure of schools due to COVID-19.

Finally, LIPA was involved in supporting a number of collaborative outreach activities with other HE providers across Liverpool. This spend has been accounted against additional funding relating to support of the National Collaborative Outreach Programme (NCOP), which was subsequently rebranded as UniConnect in January 2020.

16. Public Benefit

LIPA's primary charitable purpose is the provision of education and training in the performing arts. Details of the courses and programmes and the number of students who have participated are given earlier in this Review.

LIPA seeks to provide benefits both to the wider public and to targeted groups of individuals who might not otherwise experience or participate in the performing arts. In pursuance of this objective LIPA has:

- Run two seasons of public performances, open to the public at modest cost (albeit some of the second season was cancelled due to COVID-19);

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Operating and Financial Review For the year ended 31st July 2020 continued

- Delivered a dance centred programme for the promotion of well-being amongst the mentally ill;
- Provided management support and training for new businesses, either through LIPA's own initiatives or in combination with others;
- Given financial support for a number of graduate businesses;
- Generated new graduates' business employment;
- Used LIPA's location, infrastructure, contacts, track-record and reputation to assist a variety of enquirers;
- Contributed through technical theatre programmes to the region's live entertainment industry;
- Worked in the community, including cultural activities for young people, asylum seekers, offenders and those with addiction issues;
- Sponsored and provided on-going support to The LIPA Primary School and The LIPA Sixth Form College.

17. Strategy and Risk

Council approved a revised and refreshed strategic plan for the five-year period to 31st July 2022 in June 2017. A comprehensive risk register has been produced which links the strategic plan goals to the risks and the action plans to mitigate these risks. Whilst COVID-19 represents a significant risk for us, we do not envisage that it will stop us achieving the key objectives within our Strategy.

Applications to LIPA each year are approximately nine times the number of places available. As noted above it had free cash of £3,226,586 available at 31st July 2020 and borrowings of £772,501 at that date.

In overall terms, LIPA is a relatively low risk organisation with a reputation for excellence, drawing students from across the world. However, it is not risk free nor does the low level of risk mean that the Institute is complacent about its future, especially having regard to:

- The impact of COVID-19 on staff, students and the ability to continue to deliver high quality programmes despite social distancing restrictions;
- Potential changes in the funding arrangements for UK students;
- Increased competition in the Higher Education marketplace;
- The process for the UK leaving the European Union, and the impact of this on international student recruitment patterns and staff mobility; and
- The impact of the loss of Institute Specific Funding.

The key strands of LIPA's strategy and risk management are to:

- Ensure that the quality of provision is maintained through blended learning throughout the COVID-19 pandemic;
- Maintain and increase the level of student intake, in terms of both quality and numbers, including overseas students;
- Develop new facilities, including additional rehearsal and performance spaces, designed specifically to meet LIPA's specialist needs;
- Manage costs appropriately whilst balancing the needs of the student experience; and
- Monitoring the wider economic and political landscape, especially linked to the UK's decision to withdraw from the European Union.

18. OfS Funding

For the year ended 31st July 2020 OfS income provided 19.3% of LIPA's total funding. This included Catalyst funding and other grants. The majority of UK student funding is through loans provided by the Student Loan Company to students to fund their tuition fees.

19. Estates

LIPA has been operating for over 20 years. One of LIPA's aims was to save the Liverpool Institute building attended by Sir Paul McCartney, from dereliction. The building was completely refurbished at a total cost of £13.6m. LIPA occupies the Mount Street property in accordance with the Scheme of the Charity Commission which makes LIPA the trustee of the Liverpool Institute Charity.

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Operating and Financial Review For the year ended 31st July 2020 continued

In March 2012, LIPA acquired the freehold property at 68 Hope Street, on the basis that the building would provide scope for expansion and enhancement of the facilities on offer at that time. Following extensive alteration work, the building now provides high quality teaching spaces for the benefit of LIPA students.

At the time of writing this report, the contractor's final account for the renovation of 68 Hope Street remains under negotiation, but we anticipate that there should be a conclusion to this matter during the fiscal year 2020/21. A potential liability of £623,477 relating to this matter is included within these financial statements, but this is under legal dispute.

20. Immediate Prospects

In November 2017 LIPA had a successful application to the then HEFCE Catalyst Fund, which is now administered by the Office for Students. The application was for a 'LIPA 2022 Project' that provided funding for building developments, IT systems, process enhancements and new, innovative courses. The purpose of the project was to enable additional capacity to ensure continued financial viability as well as meeting student demands for innovative teaching in the performing arts. The total project value is £6,907,000, of which the Office for Students have provided £3,873,000.

Over the project period to 2022, LIPA will be investing in facilities and infrastructure and this has happened during the year to 31st July 2020. The investments made in the short term will allow LIPA to become more financially and operationally stable in the medium and long term. An example of this is the new course, BA Creative Technologies and Performance, which had its first cohort of students start in September 2019.

Whilst investing in the future, the Group will also continue to:

- Review all courses offered and introduce new courses where demand justifies this;
- Optimise the funding available;
- Continue to pursue Value for Money in all aspects of the group's activities; and
- Review all new appointments as posts become available.

21. The LIPA Primary School

LIPA's strategic plan for 2012-17 included the development of primary provision. To this end, The LIPA Primary School was incorporated on 30th November 2012. This is a company limited by guarantee, with charitable status. Whilst its members and governors include LIPA Members and Council Directors, the company does not constitute a subsidiary of LIPA.

The LIPA Primary School successfully welcomed its seventh cohort of 52 pupils in September 2020, into premises in close proximity to LIPA's campus. It also was graded as 'good' by Ofsted following an inspection in July 2017.

During the year LIPA provided, and continues to provide, support to The LIPA Primary School, as well as delivering services through a Service Level Agreement.

22. The LIPA Sixth Form College

In further pursuance of creating an integrated educational group, LIPA submitted a successful bid to open a sixth form college. The LIPA Sixth Form College was incorporated on 24th December 2013. This is a company limited by guarantee, with charitable status. Whilst its members and governors include LIPA Members and Council Directors, the company does not constitute a subsidiary of LIPA.

The LIPA Sixth Form College is now full. The College was graded as 'outstanding' by Ofsted following an inspection in February 2019. The College is based in 70 Hope Street, which is adjacent to LIPA.

During the year LIPA provided, and continues to provide, support to The LIPA Sixth Form College, as well as delivering services through a Service Level Agreement.

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Operating and Financial Review For the year ended 31st July 2020 continued

23. Stakeholder Relationships

LIPA's stakeholders include students, staff, alumni, patrons, the OfS, employers, government offices, Liverpool residents, professional bodies and practitioners.

24. Equal opportunities and employment of disabled employees

LIPA is committed to ensuring equality of opportunity for everyone. LIPA respects and positively values differences in race, gender, disability and disadvantaged backgrounds. Applications for employment by disabled persons are given full and fair consideration in accordance with their particular aptitudes and abilities. In the event of an employee becoming disabled, every effort is given to retrain them in order that their employment with the company may continue.

25. Fundraising

LIPA does not carry out fundraising to the general public.

26. Events after the Reporting Period

On 13 August 2020, LIPA transferred its outstanding loan balance from RBS to Santander. This was a commercial decision supported by the UK Governments Business Banking Switch scheme.

The impact on the Group arising from the recent COVID-19 pandemic has been considered by Council. There are no adjusting or non-adjusting events which have come to light at this current time.

27. Going Concern

After a thorough review of the Group's status as a going concern, the Council has agreed that the Group has sufficient resources to continue to meet its obligations as they arise over the next 12 months. The Group has a five-year financial forecast that is cash positive. Student numbers for the September 2020 intake are in line with our expectations and, up to the time of signing these financial statements, our student withdrawal levels are not out of line with previous years despite COVID-19. We have undertaken stress testing on the assumptions within our financial forecasts and believe that the risk of significant adverse performance is very low. Notwithstanding that, we also reached agreement in principle with Santander for a £1,500,000 revolving credit facility, should extra financial headroom be required. None of our forecasts show that it will be required.

28. Independent Auditors

A resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

The approval of the Operating and Financial Review includes the approval of the Strategic Report as well as the responsibilities required by the regulator.

BY ORDER OF THE BOARD

Katharine Dimmock

K Dimmock
Company Secretary

30/11/2020

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Corporate Governance Statement For the year ended 31st July 2020

LIPA's Board of Directors is committed to achieving the highest standards of corporate governance and in doing so complies with The Committee of University Chairmen Governance Code of Practice. In carrying out its duties it also has regard for the best practice in The UK Corporate Governance Code, insofar as it is applicable to the company. This summary describes the manner in which the company has applied the principles set out in The Committee of University Chairmen Governance Code of Practice. Its purpose is to help the reader of the accounts understand how LIPA applies the principles.

The members of the company within the meaning of the Companies Acts are the custodians of LIPA's ethos and culture and guardians of its fundamentals. The members' primary responsibilities are:

1. To consult with LIPA's directors in order to agree the determination of the educational character and mission of LIPA;
2. To consult with LIPA's directors on filling any vacancy or expected vacancy in the role of Principal;
3. To appoint LIPA's independent auditors;
4. To consider and, if agreed, approve changes to LIPA's Articles of Association proposed by LIPA's Council. Any changes are subject to the approval of the Privy Council and the Charity Commission.

LIPA's Articles of Association empower the members to remove any or all of the directors by written resolution signed by a majority of the members. There is a Memorandum of Understanding between the members and Council on how this power is exercised.

The Council is LIPA's governing body. Its members are directors of the company within the meaning of the Companies Acts and Trustees within the meaning of the Charities Act. The primary responsibilities of Council are:

1. To consult with LIPA's members in order to agree the determination of the educational character and mission of LIPA and oversee LIPA's activities having regard to such determination;
2. To prepare, or cause to be prepared, long-term teaching and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders;
3. To fill any vacancy, or determine the method of filling any expected vacancy, in the post of Principal, having consulted LIPA's members about any such vacancy or expected vacancy;
4. To delegate to the Principal, as chief executive, authority for the teaching, corporate, financial, estate and personnel management of LIPA;
5. To establish and keep under regular review the policies, procedures and limits within the management functions undertaken by, and under the authority of, the Principal;
6. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment;
7. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of LIPA against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions;
8. To establish processes to monitor and evaluate the performance and effectiveness of Council itself;
9. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life;
10. To safeguard LIPA's good name and values;

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Corporate Governance Statement

For the year ended 31st July 2020 continued

11. To appoint a clerk to Council and to ensure that, if the person appointed has managerial responsibilities in LIPA, there is an appropriate separation in the lines of accountability;
12. To be responsible for the appointment, grading, appraisal, assignment, suspension and dismissal of senior post holders and the determination of their pay and conditions of service;
13. To set a framework for the pay and conditions of service of all staff and make rules specifying procedures according to which staff may seek redress of any grievances relating to their performance;
14. To be LIPA's principal financial and business authority, to ensure that proper books of account are kept, to approve the annual budget and Financial Statements, and to have overall responsibility for LIPA's assets, property and estate;
15. To set rules, after consultation with the Teaching and Learning Board and representatives of the students, with respect to the conduct of students, including procedures for suspension and expulsion, and make such provision as it thinks fit for the general welfare of students;
16. To act as trustee for any property, legacy, endowment, bequest or gift made in support of the work and welfare of LIPA;
17. To be LIPA's legal authority and, as such, to ensure that systems are in place for meeting all LIPA's legal obligations, including those arising from contracts and other legal commitments made in LIPA's name;
18. To ensure that LIPA adheres to its constitution at all times and that appropriate advice is available to enable this to happen; and
19. To amend LIPA's Articles of Association, subject to the approval of LIPA's members in a General Meeting or by written resolution, the Privy Council and the Charities Commission.

Directors serve a term of four years, and may be re-elected to serve a further term of four years. Any director retiring after serving eight years is eligible for re-appointment having regard to the individual's particular skills, experience, commitment and longevity of service.

Nominations for new appointees are sought from existing and past directors and from within the performing arts, business and other sectors. The aim is to ensure a balance of skills within the Council. Such criteria as widening the diversity of the Council are also taken into account in seeking nominations.

All nominations are tabled at a full Council meeting for approval. On appointment new directors attend a half-day induction course at LIPA presented by the Founding Principal and the Director of Administration and Personnel. This provides a detailed explanation of the legal responsibilities of the post and the workings of the Institute. This is supplemented by detailed policy documents such as the group's current strategic plan.

Directors observe the Seven Principles of Public Life drawn up by the Committee on Standards in Public Life.

Council ensures that the Institute has in place appropriate procedures under which staff may raise matters of legitimate concern in the public interest, consistent with the requirements of the Public Interest Disclosure Act (2010).

LIPA complies with the Guide to Governance issued by the Committee of University Chairmen (CUC) except in one respect. The Guide recommends that governors meet at least four times a year. The Council meets at least three times a year, which is considered adequate given the size of the Institution.

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Corporate Governance Statement For the year ended 31st July 2020 continued

The Council has five main committees - Finance, Audit, Nominations and Governance, Remuneration, and Teaching and Learning Board. The various terms of reference are set out in the Handbook of Governance.

The Finance Committee, inter alia, recommends to the Council the company's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Audit Committee meets four times a year, with the company's Independent and Internal Auditors in attendance as appropriate. The Committee considers detailed reports together with recommendations for the improvement of the company's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the OfS as they affect LIPA's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee has the opportunity to meet with both Independent and Internal Auditors on their own for independent discussions, and this is a standing item on the agenda.

The Nominations and Governance Committee seeks out new directors and recommends their appointment to Council. The Committee's remit includes monitoring governance arrangements.

The Remuneration Committee determines the remuneration of the most senior staff, including the Chief Executive. The Remuneration Committee has agreed that it will be guided by the CUC HE Senior Staff Remuneration Code but would not formally adopt it.

The Teaching and Learning Board determines the strategic curriculum development of the company.

Working groups are established from time to time by the Chief Executive, for which a member of the Directorate is responsible (though not necessarily as chair).

Formal working groups are not established without the approval of the Chief Executive, although it is expected that staff will work in a cross-disciplinary manner and on a team basis, without the need for direction to do so, in order to maximise the benefits of the expertise available to achieve any given objective.

The Council is ultimately responsible for the company's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31st July 2020 and up to the date of approval of the Financial Statements and accords with OfS guidance.

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

- Effective review by directors;
- Systems which define policies, set objectives and plans and then monitor financial and other performance;
- Systems and procedures which include segregation of duties, authorisation and approval procedures and information systems;
- An effective internal audit system;
- An effective independent audit system, including an appropriate response to the points raised in the management letter;
- Other reporting and monitoring systems such as those required by providers of other funds;
- The work of the Finance and Audit Committees in monitoring the financial position and control systems;
- The strategic plan and the related annual operating statements which set the framework for the annual budgets;

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Corporate Governance Statement For the year ended 31st July 2020 continued

- The annual operating and capital budgets which identify and quantify the revenue resources available and associated expenditure;
- The provision of regular financial information to individuals with responsibility for elements of the budget and the monitoring of progress against budgets;
- Day to day controls exercised by the financial officers of LIPA, in particular the Head of Accounting;
- The Financial Regulations which, amongst other items, detail the financial procedures and rules to be followed for various financial transactions;
- Policies on a range of areas such as treasury management, debt collection, fraud etc.; and
- A Corporate Governance manual, which sets out various controls and policies.

The risk management strategy incorporates the following processes:

- Council have approved the risk management policy;
- The principal responsibility for risk management has been assigned to the Directorate. Risk management is planned into the work of the Directorate for the year. The Directorate consists of the Chief Executive and senior management;
- The Internal Auditors have been instructed to ensure that their planning arrangements, methodology and approach conform to the latest professional standards reflecting the adoption of risk management; and
- The Audit Committee has been charged with providing advice on the effectiveness of the establishment and implementation of risk management.

The Council ensures that there is an independent Internal Audit function, which has direct access to the Chair of Council and to the Chair of the Audit Committee. This is the same for the Independent Audit function.

The Internal Auditors submit regular reports on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. Similarly, the Independent Auditors have the opportunity to suggest control improvements during their audit process. All recommendations made are monitored and tracked to completion by the Audit Committee.

The directors' review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the executive managers within the Institute who have responsibility for the development and maintenance of the internal control framework, and by comments made by the Independent Auditors in their management letter and other reports. No significant control weaknesses have arisen during the year.

ON BEHALF OF THE BOARD

Ian Jones

I.M. Jones
Chair of Council

30/11/2020

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Directors' Responsibilities Statement For the year ended 31st July 2020

In accordance with the Institute's Memorandum and Articles of Association, Council is responsible for the administration and management of the affairs of the Institute and is required to present audited financial statements for each financial year.

The Council (the members of which are also the directors of the company for the purposes of company law) is responsible for preparing the Operating and Financial Review including the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires Council to prepare financial statements for each financial year. Under that law, Council is required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In addition, Council, through its Accounting Officer, is required to prepare the financial statements in accordance with the terms and conditions of the OfS's Terms and conditions of funding for higher education institutions (issued March 2019) through its accountable officer. Under company law, Council must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Institute and the group and of the surplus or deficit, gains and losses, changes in reserves and cash flows of the Institute and the group for that year.

In preparing the financial statements Council is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Institute will continue in business.

Council is responsible for keeping adequate accounting records that are sufficient to show and explain the Institute's transactions and disclose with reasonable accuracy at any time the financial position of the Institute and enable it to ensure that the financial statements comply with the OfS's Terms and conditions of funding for higher education institutions (issued March 2019), the Statement of Recommended Practice - Accounting for Further and Higher Education as issued in October 2018, and any subsequent amendments, the Office for Student's Accounts Direction (issued October 2019) and the Companies Act 2006. Council is also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Council has taken reasonable steps to:

- Ensure that funds from the OfS and other funding bodies are used only for the proper purposes for which they have been given and seek to achieve value for money in accordance with the OfS Terms and conditions of funding for higher education institutions (issued March 2019) and any other conditions which the funding body may from time to time prescribe;
- Ensure that the Institute has a robust and comprehensive system of risk management, control and corporate governance, which includes the prevention and detection of corruption, fraud, bribery and irregularities;
- Ensure that there is regular, reliable, timely and adequate information to monitor performance and track the use of public funds;
- Plan and manage the Institute's activities to remain sustainable and financially viable;
- Ensure that it informs the OfS of any material change in its circumstances, including any significant developments that could impact on the mutual interests of the Institute and the OfS;
- Ensure that there are adequate and effective arrangements for the management and quality assurance of data submitted to HESA, the Student Loans Company, the OfS and other funding or regulatory bodies;
- Ensure an effective framework – overseen by the Institute's academic board or equivalent – to manage the quality of learning and teaching and to maintain academic standards; and
- Consider and act on the OfS's assessment of the Institute's risks specifically in relation to these funding purposes.

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Directors' Responsibilities Statement For the year ended 31st July 2020 continued

Council is responsible for the maintenance and integrity of the corporate and financial information included on the Institute's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Council confirms that:

- So far as each member is aware, there is no relevant audit information of which the Institute's auditor is unaware; and
- Members have taken all the steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the Institute's auditor is aware of that information.

Approved on behalf of Council by:

Mark Featherstone Witty

M Featherstone-Witty
Director

30/11/2020

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Independent auditor's report to the Council of The Liverpool Institute for Performing Arts For the year ended 31st July 2020

Opinion

We have audited the financial statements of The Liverpool Institute for Performing Arts (the 'parent institute') and its subsidiaries (the 'group') for the year ended 31 July 2020, which comprise the Consolidated and Institute Statement of Comprehensive Income, the Consolidated and Institute Statement of changes in reserves, the Consolidated and Institute Balance sheets, the Consolidated Statement of cash flows 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 Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the group's and the parent institute's affairs as at 31 July 2020 and of the group's and the parent institute's surplus, and its income and expenditure, gains and losses, changes in reserves and the group's and parent institute's cash flows for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education published in October 2018; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We have been appointed as auditor under the Companies Act 2006 and report in accordance with regulations made under those Acts. 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 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.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the council and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and parent institute's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and parent institute's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for the group and parent institute associated with a course of action such as Brexit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent institute's ability to continue to adopt the

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Independent auditor's report to the Council of The Liverpool Institute for Performing Arts For the year ended 31st July 2020 continued

going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Council's conclusions, we considered the risks associated with the Institute's business, including effects arising from Brexit, and analysed how those risks might affect the group's and parent institute's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group and parent institute will continue in operation.

Other information

The Council are responsible for the other information. The other information comprises the information included in the annual report set out on pages 3 to 16, other than the financial statements and our auditor's report thereon. 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 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 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the directors' report, prepared for the purposes of company law, included in the operating and financial review for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and the directors' report included in the operating and financial review have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent institute and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included in the operating and financial review.

Opinion on other matters prescribed by the OfS accounts direction (issued October 2019)

In our opinion, in all material respects:

- Funds from whatever source administered by the parent institute for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- Funds provided the OfS have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them; and
- The requirements of the OfS's accounts direction (issued October 2019) have been met.

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Independent auditor's report to the Council of The Liverpool Institute for Performing Arts For the year ended 31st July 2020 continued

Matters on which we are required to report by exception

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

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

Responsibilities of Council for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on pages 17 to 18, the Council (who are also the directors of the charitable company for the purposes of company law) are 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 Council 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 Council are responsible for assessing the group's and the parent institute'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 Council either intend to liquidate the group or parent institute 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 these financial statements.

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.

Use of our report

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



Carl Williams
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool

1/12/2020

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Consolidated and Institute Statement of Comprehensive Income and Expenditure For the year ended 31st July 2020

Year ended 31 st July		2020	2020	2019	2019
INCOME		Consolidated	Institute	Consolidated	Institute
	Notes	£	£	£	£
Tuition Fees and Education Contracts	1.1	9,511,165	9,511,165	8,721,394	8,721,394
Funding Body Grants	1.2	2,544,598	2,544,598	2,100,421	2,100,421
Project Income	1.3	339,399	339,399	492,187	490,187
Other Income	1.4	729,816	728,566	778,759	778,759
Investment Income	1.5	7,175	7,175	12,975	12,975
Total Income before Donations and Endowments		13,132,153	13,130,903	12,105,736	12,103,736
Donations and Endowments	1.6	41,261	42,012	40,450	40,450
Total Income		13,173,414	13,172,915	12,146,186	12,144,186
EXPENDITURE					
Staff Costs	2	7,266,649	7,266,649	7,027,663	7,027,663
Other Operating Expenses	3	2,899,264	2,900,110	3,285,018	3,281,815
Depreciation		945,691	945,691	804,949	804,949
Interest and Other Finance Costs	4	36,642	36,642	66,146	66,146
Total Expenditure		11,148,245	11,149,092	11,183,776	11,180,573
Surplus before Tax		2,025,169	2,023,823	962,410	963,613
Taxation	5	-	-	-	-
Surplus and Total Comprehensive Income for the year		2,025,169	2,023,823	962,410	963,613
Represented by:					
Unrestricted income for the year		2,015,699	2,014,353	935,029	936,232
Restricted income for the year		10,000	10,000	11,223	11,223
Endowment (expenditure) / income for the year		(530)	(530)	16,158	16,158
		2,025,169	2,023,823	962,410	963,613

All amounts relate to continuing operations.

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS**Consolidated and Institute Statement of Changes in Reserves
For the year ended 31st July 2020**

	Income and Expenditure Account			
	Endowment	Restricted	Unrestricted	Total
Consolidated	£	£	£	£
Balance at 1st August 2018	254,026	410,897	15,619,129	16,284,052
Surplus from the Income and Expenditure Account	16,158	11,223	935,029	962,410
Balance at 1st August 2019	270,184	422,120	16,554,158	17,246,462
(Deficit) / Surplus from the Income and Expenditure Account	(530)	10,000	2,015,699	2,025,169
Total Comprehensive Income for the year	(530)	10,000	2,015,699	2,025,169
Balance at 31st July 2020	269,654	432,120	18,569,857	19,271,631
Institute				
Balance at 1st August 2018	254,026	410,897	15,619,272	16,284,195
Surplus from the Income and Expenditure Account	16,158	11,223	936,232	963,613
Balance at 1st August 2019	270,184	422,120	16,555,504	17,247,808
(Deficit) / Surplus from the Income and Expenditure Account	(530)	10,000	2,014,353	2,023,823
Total Comprehensive Income for the year	(530)	10,000	2,014,353	2,023,823
Balance at 31st July 2020	269,654	432,120	18,569,857	19,271,631

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS**Consolidated and Institute Balance Sheets****Registered number: 02511501**

		As at 31st July 2020		As at 31st July 2019	
		Consolidated	Institute	Consolidated	Institute
	Notes	£	£	£	£
Non-Current Assets					
Intangible Assets	6	272,232	272,232	283,742	283,742
Fixed Assets	7	17,016,666	17,016,666	15,027,840	15,027,840
Assets Held in Trust	8	1,564,396	1,564,396	1,016,966	1,016,966
Investments	9	2,377	2,477	2,377	2,477
		18,855,671	18,855,771	16,330,925	16,331,025
Current Assets					
Stock	10	4,850	4,850	7,010	7,010
Trade and Other Receivables	11	549,263	549,263	989,423	989,423
Cash and Cash Equivalents	12	3,226,586	3,226,586	4,664,157	4,662,153
		3,780,699	3,780,699	5,660,590	5,658,586
Less: Creditors					
Amounts Falling Due Within One Year	13	(3,137,763)	(3,137,863)	(3,972,551)	(3,969,301)
Net Current Assets		642,936	642,836	1,688,039	1,689,285
Total Assets less Current Liabilities		19,498,607	19,498,607	18,018,964	18,020,310
Less: Creditors					
Amounts Falling Due after more than One Year	14	(226,976)	(226,976)	(772,502)	(772,502)
Total Net Assets		19,271,631	19,271,631	17,246,462	17,247,808
Restricted Reserves					
Income and Expenditure Reserve – Endowment Reserve	15	269,654	269,654	270,184	270,184
Income and Expenditure Reserve – Restricted Reserve	16	432,120	432,120	422,120	422,120
Unrestricted Reserves					
Income and Expenditure Account – Unrestricted		18,569,857	18,569,857	16,554,158	16,555,504
Total Funds		19,271,631	19,271,631	17,246,462	17,247,808

Approved by the board and signed on its behalf by:

Ian Jones

30/11/2020

I. M. Jones – Chair of Council

Mark Featherstone-Witty

30/11/2020

M. Featherstone-Witty – Director

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS**Consolidated Statement of Cash Flows
For the year ended 31st July 2020**

Cash Flow from Operating Activities	2020 £	2019 £
Surplus for the year ended 31 st July	2,025,169	962,410
Adjustment for Non-Cash Items		
Depreciation	945,691	804,949
Decrease in Stock	2,160	657
Decrease / (Increase) in Debtors	440,160	(455,870)
(Decrease) / Increase in Creditors	(388,296)	262,938
Assets Donated	(29,214)	-
Adjustment for Investing or Financing Activities		
Investment Income	(7,175)	(12,975)
Interest Payable	36,642	66,146
Loss on Sale of Fixed Assets	-	422
Net Cash Inflow from Operating Activities	3,025,137	1,628,677
Cash Flows from investing activities		
Investment Income	7,175	12,975
Payments made to Acquire Fixed Assets	(3,887,715)	(2,303,461)
	(3,880,540)	(2,290,486)
Cash flows from financing activities		
Interest Paid	(36,642)	(66,146)
Loan Repaid	(545,526)	(545,526)
	(582,168)	(611,672)
Increase/(Decrease) in Cash and Cash Equivalents in the year	(1,437,571)	(1,273,481)
Cash and Cash Equivalents at beginning of the year	4,664,157	5,937,638
Cash and Cash Equivalents at end of the year	3,226,586	4,664,157

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Accounting Policies

For the year ended 31st July 2020

1. Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019) and in accordance with applicable accounting standards. LIPA is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards. The financial statements are prepared in accordance with the historical cost convention.

1.1 The financial statements have been prepared under FRS 102.

1.2 The financial statements are presented in sterling (£).

1.3 Going Concern - After a thorough review of the Group's status as a going concern, the Council has agreed that the Group has sufficient resources to continue to meet its obligations as they arise over the next 12 months. The Group has a five-year financial forecast that is cash positive. Student numbers for the September 2020 intake are in line with our expectations and, up to the time of signing these financial statements, our student withdrawal levels are not out of line with previous years despite COVID-19. We have undertaken stress testing on the assumptions within our financial forecasts and believe that the risk of significant adverse performance is very low. Notwithstanding that, we also reached agreement in principle with Santander for a £1,500,000 revolving credit facility, should extra financial headroom be required. None of our forecasts show that it will be required.

2. Basis of consolidation

The consolidated financial statements include the company and its subsidiary for the financial year to 31st July 2020. Intra-group transactions are eliminated on consolidation.

3. Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Institute makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical areas of judgement

There are no areas of judgement that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 Income Recognition

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

4.2 Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced by any discount, income receivable is shown net of the discount.

4.3 Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

4.5 Government grants, including funding council grants are recognised within the Statement of Income and Expenditure over the periods in which the Institute recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Accounting Policies continued For the year ended 31st July 2020

Other grants and donations from non-government sources are recognised within the Statement of Comprehensive Income and Expenditure when the Institute is entitled to the income and performance related conditions have been met.

- 4.6** Income received in advance of performance related conditions is deferred on the balance sheet and released to the Statement of Comprehensive Income and Expenditure in line with such conditions being met.
- 4.7** Other grants and donations from non-government sources are recognised within the Statement of Comprehensive Income and Expenditure when the Institute is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is deferred on the Balance Sheet and released to the Statement of Comprehensive Income and Expenditure in line with such conditions being met.
- 4.8** Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor-imposed restrictions are recognised within the Statement of Comprehensive Income and Expenditure when the Institute is entitled to the Income. 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.
- 4.9** Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms applied to the individual endowment fund.
- 4.10** Donations with no restrictions are recorded within the Statement of Comprehensive Income and Expenditure when the Institute is entitled to the income. Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the accounts. There are four main types of donations and endowments with restrictions:
 - 1. Restricted donations - the donor has specified that the donation must be used for a particular objective;
 - 2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the Institute;
 - 3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the Institute can convert the donated sum into income; and
 - 4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

5. Capital grants

Capital grants are recorded in the Statement of Comprehensive Income and Expenditure when the Institute is entitled to the income subject to any performance related conditions being met.

6. Accounting for retirement benefits

For eligible employees, the Institute contributes to a defined benefit plan, the Teachers' Pension Scheme, a superannuation scheme that provides benefits based on final pensionable pay. For other staff the company also operates the LIPA Staff Pension Schemes, a range of defined contribution pension plans providing benefits additional to those from the State.

Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Under the definitions set out in Section 28 of FRS102, the Teachers' Pension Scheme is a multi-employer pension scheme. LIPA is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, LIPA has taken advantage of the exemption in Section 28.11 of FRS102 and has accounted for contributions to the scheme as if it were a defined contribution scheme.

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income and Expenditure in the periods during which services are rendered by employees. The assets of the LIPA's schemes are held separately from those of the Institute in independently administered funds.

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Accounting Policies continued For the year ended 31st July 2020

7. Employment benefits

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

8. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

9. Foreign currency

Transactions in foreign currency are accounted for at the sterling equivalent (net of charges) on the date of receipt or payment. Monetary assets and liabilities are translated into sterling at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

10. Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Intangible assets are amortised over between three and 10 years, representing their remaining estimated economic lives. Intangible assets are subject to periodic impairment reviews as appropriate.

11. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the Institute.

Freehold land is not depreciated as it is considered to have an indefinite useful life.

Freehold buildings are depreciated on a straight line basis over 50 years.

Leasehold land is depreciated over the life of the lease up to a maximum of 50 years.

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

Furniture and equipment

Items of furniture and equipment costing less than £1,000 per individual item or groups of the same items are written off in the year of acquisition. All other equipment is capitalised.

Capitalised furniture and equipment is stated at cost and depreciated over its expected useful life as follows:

- Computer equipment 3 years; and
- Furniture and other equipment up to 10 years.

12. Assets held in trust

Assets held in trust include additions to the Liverpool Institute building. These assets are depreciated over a period of up to 25 years.

Art works represent historic assets used by the institution and corporate art and are not, therefore, accounted for as a heritage asset.

13. Investments

Investments are shown at cost less any provision for impairment.

14. Stock

Stock is held at the lower of cost and net realisable value, and is measured using an average cost formula.

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Accounting Policies continued For the year ended 31st July 2020

15. Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

16. Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

17. 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.

18. Borrowing costs

Borrowing costs are recognised as an expense in the Statement of Comprehensive Income and Expenditure in the period in which they are incurred.

19. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) The Institute has a present obligation (legal or constructive) as a result of a past event;
- (b) It is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the Institute a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Institute. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the Institute a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Institute.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

20. Taxation

The Institute is an exempt charity within the meaning of Part 3 of the Charities Act 2011, and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. The Institute is recognised as a charity by HM Revenue & Customs. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the Institute is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

The Institute's subsidiary is liable to Corporation Tax in the same way as any other commercial organisation.

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Accounting Policies continued For the year ended 31st July 2020

21. Reserves

Reserves are allocated between restricted and unrestricted reserves. Restricted endowment reserves include balances which, through endowment to the Institute, are held as a permanently restricted fund as the Institute must hold the fund to perpetuity.

Other restricted reserves include balances through which the donor has designated a specific purpose and therefore the Institute is restricted in the use of these funds.

22. Financial Instruments

LIPA only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities and their measurement basis are as follows:

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments.

Cash at bank – is classified as a basic financial instrument and is measured at face value.

Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

Loan – the loan does not contain any complex financial instruments, it is repayable on a capital plus interest basis.

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Notes to the Accounts For the year ended 31st July 2020

1. Income	2020 Consolidated	2020 Institute	2019 Consolidated	2019 Institute
1.1 Tuition Fees	£	£	£	£
Full Time UK/EU Degree Students' Fees	6,466,255	6,466,255	5,926,933	5,926,933
Full Time Overseas Degree Students' Fees	2,383,642	2,383,642	2,248,369	2,248,369
Full Time Self-Funded Students' Fees	627,183	627,183	514,837	514,837
Audition Fees	34,085	34,085	31,255	31,255
	9,511,165	9,511,165	8,721,394	8,721,394
1.2 Funding Body Grants				
OfS Recurrent Grants	440,073	440,073	465,803	465,803
OfS Capital Grant	43,859	43,859	50,301	50,301
Catalyst Revenue Grant	355,000	355,000	422,500	422,500
Catalyst Capital Grant	1,705,666	1,705,666	1,161,817	1,161,817
	2,544,598	2,544,598	2,100,421	2,100,421
1.3 Project Income				
LIPA 4-19	315,402	315,402	447,326	447,326
Other Projects	23,997	23,997	44,861	42,861
	339,399	339,399	492,187	490,187
1.4 Other Income				
Catering, Bar and Venue Hire	250,914	250,914	372,169	372,169
Student Projects and Performances	134,159	134,159	137,667	137,667
Service Level Agreement Income	208,554	208,554	205,674	205,674
Sundry Income	136,189	134,939	63,249	63,249
	729,816	728,566	778,759	778,759
1.5 Investment Income				
Interest Receivable	7,175	7,175	12,975	12,975
	7,175	7,175	12,975	12,975
1.6 Donations and Endowments				
New Endowments	950	950	21,950	21,950
Donations with Restrictions	39,214	39,214	11,223	11,223
Unrestricted Donations	1,097	1,848	7,277	7,277
	41,261	42,012	40,450	40,450

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Notes to the Accounts continued For the year ended 31st July 2020

1.7 Grant and Fee Income

The source of grant and fee income included in notes 1.1 to 1.3 is as follows:

	2020 Consolidated	2020 Institute	2019 Consolidated	2019 Institute
	£	£	£	£
Grant income from the OfS	2,544,598	2,544,598	2,100,421	2,100,421
Grant income from other bodies	23,997	23,997	44,861	44,861
Fee income from non-qualifying courses	976,670	976,670	993,418	993,418
Fee income for taught awards	8,849,897	8,849,897	8,175,302	8,175,302
	12,395,162	12,395,162	11,314,002	11,314,002

2. Staff Costs

	2020 Consolidated	2020 Institute	2019 Consolidated	2019 Institute
	£	£	£	£
Aggregate amounts for staff and directors paid in respect of:				
Wages and Salaries	5,916,923	5,916,923	5,877,499	5,877,499
Social Security Costs	486,573	486,573	476,926	476,926
Other Pension Costs	863,153	863,153	673,238	673,238
	7,266,649	7,266,649	7,027,663	7,027,663

Emoluments of the Founding Principal and Chief Executive:

Remuneration

Pension contributions

2020

£

187,456

-

187,456

2019

£

173,285

-

173,285

No other employees received remuneration more than £100,000.

The emoluments of the Founding Principal and Chief Executive are set by LIPA's Remuneration Committee and reflect the Group structure operated by LIPA (including being CEO of a Sixth Form College and a Primary School), the complexity of the role, the performance of the CEO and the rates of pay of others in similar roles both locally and nationally. The Founding Principal and CEO received a remuneration that was 5.41 times the median FTE salary for other substantive staff at LIPA (2019: 5.29 times).

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Institute. The team comprises six (2019: five) individuals led by the Chief Executive.

	2020 £	2019 £
Remuneration of key management personnel, other than the Chief Executive, including pension contributions	493,129	424,764

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Notes to the Accounts continued For the year ended 31st July 2020

Average number of persons (including the Founding Principal and Chief Executive) employed during the year was:

	2020 number	2019 number
Administration	63	60
Teaching and Teaching Support	85	83
Catering, Bar, Conference and Venue	6	6
	154	149

In addition, about 120 staff were employed on a part time hourly paid basis. The full time equivalent of all the part - time hourly paid staff is 12 (2019: 10).

	2020 Consolidated	2020 Institute	2019 Consolidated	2019 Institute
The aggregate amounts for staff and directors can be split into the following categories:	£	£	£	£
Teaching	3,979,173	3,979,173	3,833,850	3,833,850
Productions	427,059	427,059	419,695	419,695
Projects	156,892	156,892	208,687	208,687
Canteen, Bar and Venue	152,790	152,790	193,854	193,854
Information Systems and Technical Support	525,802	525,802	483,349	483,349
Marketing and Student Recruitment	728,264	728,264	673,004	673,004
Facilities	409,869	409,869	411,269	411,269
Administration	886,800	886,800	803,955	803,955
	7,266,649	7,266,649	7,027,663	7,027,663

	2020 No.	2019 No.
Number of directors accruing retirement benefits	1	1

The Institute's Council Directors are the trustees for charitable law purposes. There were no payments to Council Directors, other than reimbursement of expenses. In the year to 31st July 2020 the total expenses paid to Council Directors was:

	2020 £	2019 £
Reimbursement of Travel and Accommodation Expenses to three directors (2019: three directors).	347	450

3a. Analysis of Operating Expenditure by Activity

	2020 Consolidated	2020 Institute	2019 Consolidated	2019 Institute
	£	£	£	£
Teaching Related	435,116	435,116	506,414	506,414
Productions	147,149	147,149	178,216	178,216
Projects	54,262	54,262	51,465	51,465
Cafe, Bar and Venue	110,433	110,433	193,270	193,270
Information Services and Technical Support	446,268	446,268	395,220	395,220
Marketing and Student Recruitment	362,210	362,210	536,694	536,694
Facilities	587,717	587,716	510,027	510,027
Administration	756,110	756,956	913,712	910,509
	2,899,264	2,900,110	3,285,018	3,281,815

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Notes to the Accounts continued For the year ended 31st July 2020

Operating Expenditure includes	2020 £	2019 £
Independent Auditors' Remuneration		
Audit	16,980	16,820
Other	10,320	15,980
Internal Auditors' Remuneration	15,058	14,725
Operating Lease Rentals	10,059	9,983

3b. Access and Participation

	2020 Consolidated	2020 Institute
	£	£
Access Investment	251,931	251,931
Student Success	83,371	83,371
Progression	38,654	38,654
Financial Support	126,846	126,846
	500,802	500,802

£267,191 of these costs are already included in the overall staff costs figures included in the financial statements, see note 2.

This expenditure needs to be understood in conjunction with LIPA's Access and Participation Plan, which is located [on LIPA's website](#). The differences between the planned spend as per the Access and Participation Plan relate to changes in activity during the year, some linked to the COVID-19 pandemic, which meant that activities had to be altered.

4. Interest Payable	2020 Consolidated	2020 Institute	2019 Consolidated	2019 Institute
	£	£	£	£
Interest on bank loan	36,642	36,642	59,620	59,620
Other finance costs	-	-	6,526	6,526
Total	36,642	36,642	66,146	66,146

5. Taxation

LIPA is a charitable company as stated in Accounting Policies note 20. There is no tax charge arising for the year (2019: £0) in respect of subsidiary undertakings.

6. Intangible Assets (software) Consolidated and Institute

Cost	Total £
At 1 st August 2019	579,994
Additions	57,541
At 31 st July 2020	637,535
Depreciation	
At 1 st August 2019	296,252
Charge for the Year	69,051
At 31 st July 2020	365,303
Net Book Value	
At 31 st July 2020	272,232
At 31 st July 2019	283,742

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Notes to the Accounts continued For the year ended 31st July 2020

7. Tangible Fixed Assets Consolidated and Institute

Group and Company Cost	Freehold Land and Buildings £	Assets in Course of Construction £	Fixtures, Fittings and Equipment £	Art Works £	Total £
At 1 st August 2019	13,897,683	308,978	5,076,376	197,092	19,480,129
Additions	-	1,885,472	833,443	-	2,718,915
Transfers	-	-	-	-	-
Disposals	-	-	(335,417)	-	(335,417)
At 31 st July 2020	<u>13,897,683</u>	<u>2,194,450</u>	<u>5,574,402</u>	<u>197,092</u>	<u>21,863,627</u>
Depreciation					
At 1 st August 2019	895,748	-	3,359,449	197,092	4,452,289
Charge for the Year	245,480	-	484,610	-	730,089
Disposals	-	-	(335,417)	-	(335,417)
At 31 st July 2020	<u>1,141,228</u>	<u>-</u>	<u>3,508,642</u>	<u>197,092</u>	<u>4,846,961</u>
Net Book Value					
At 31 st July 2020	<u>12,756,455</u>	<u>2,194,450</u>	<u>2,065,761</u>	<u>-</u>	<u>17,016,666</u>
At 31 st July 2019	<u>13,001,935</u>	<u>308,978</u>	<u>1,716,927</u>	<u>-</u>	<u>15,027,840</u>

Freehold Land and Buildings

The freehold buildings relates to the property at 68 Hope Street, Liverpool.

Freehold land includes land amounting to £1,000,000 which is not depreciated.

Art Works

Art works represent historic assets used by the institution and corporate art and are not, therefore, accounted for as a heritage asset.

8. Assets held in Trust Consolidated and Institute

Cost	Total £
At 1 st August 2019	1,356,791
Additions	<u>693,981</u>
At 31 st July 2020	<u>2,050,772</u>
Depreciation	
At 1 st August 2019	339,825
Charge for the Year	<u>146,551</u>
At 31 st July 2020	<u>486,376</u>
Net Book Value	
At 31 st July 2020	<u>1,564,396</u>
At 31 st July 2019	<u>1,016,966</u>

The assets held in trust represent the cost of capital works on the Liverpool Institute building.

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Notes to the Accounts continued For the year ended 31st July 2020

Interest in Liverpool Institute building

LIPA has no ownership rights to the Liverpool Institute building. It occupies the building in its role as sole corporate trustee of The Liverpool Institute Charity. LIPA was appointed corporate trustee of The Liverpool Institute Charity on 8th October 1993. The Liverpool Institute Charity has no assets, other than the Liverpool Institute building, and no liabilities. It generates no income and incurs no expenditure. LIPA may continue in its role as corporate trustee of The Liverpool Institute Charity, and thereby occupy the Liverpool Institute building, provided it continues to use the building for educational purposes.

In the event that LIPA no longer operates the trusteeship of The Liverpool Institute Charity, and thereby loses its rights to occupy the Liverpool Institute building, trusteeship would revert to the former trustee, Liverpool City Council; failing acceptance by them of the trusteeship the Charity Commission would seek an alternative trustee.

As LIPA cannot sell the Liverpool Institute building, which was redeveloped specifically for LIPA's programmes and may only be used for educational purposes, the directors do not consider that any market value can be attributed to it and that a valuation would be a time consuming, expensive and meaningless exercise.

9. Non-Current Investments	Subsidiary Companies	Chattels and Memorabilia	Total
Consolidated	£	£	£
At 1 st August 2019	-	2,377	2,377
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
At 31st July 2020	-	2,377	2,377
Institute	£	£	£
At 1 st August 2019	100	2,377	2,477
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
At 31st July 2020	100	2,377	2,477

Please refer to note 24 for additional details relating to the investment in the subsidiary company.

10. Stock	2020	2019
Consolidated and Institute	£	£
Canteen and bar stocks	4,850	7,010

11. Trade and Other Receivables	At 31 st July 2020		At 31 st July 2019	
Amounts due within one year	Consolidated £	Institute £	Consolidated £	Institute £
Tuition and Other Fees	15,029	15,029	5,191	5,191
Other Debtors	192,731	192,731	175,319	175,319
Amount owed by subsidiary undertakings	-	-	-	-
Amounts owed by related undertakings	-	-	-	-
Prepayments and Accrued Income	341,503	341,503	808,913	808,913
	549,263	549,263	989,423	989,423

THE LIVERPOOL INSTITUTE FOR PERFORMING ARTS

Notes to the Accounts continued For the year ended 31st July 2020

12. Cash and Cash Equivalents	At 31 st July 2020		At 31 st July 2019	
	Consolidated	Institute	Consolidated	Institute
	£	£	£	£
Cash and Cash Equivalents	<u>3,226,586</u>	<u>3,226,586</u>	<u>4,664,157</u>	<u>4,662,153</u>

13. Creditors: Amounts falling due within one year	At 31 st July 2020		At 31 st July 2019	
	Consolidated	Institute	Consolidated	Institute
	£	£	£	£
Bank loan	545,525	545,525	545,526	545,526
Trade Creditors	953,559	953,559	1,226,761	1,226,761
Taxation and Social Security	314,623	314,623	433,902	433,782
Accruals	265,503	265,503	684,104	680,974
Other Creditors and Deferred Income	<u>1,058,553</u>	<u>1,058,653</u>	<u>1,082,258</u>	<u>1,082,258</u>
	<u>3,137,763</u>	<u>3,137,863</u>	<u>3,972,551</u>	<u>3,969,301</u>

Deferred Income

Included in other creditors and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	At 31 st July 2020		At 31 st July 2019	
	Consolidated	Institute	Consolidated	Institute
	£	£	£	£
Donations	2,000	2,000	-	-
Grants	<u>26,769</u>	<u>26,769</u>	<u>12,037</u>	<u>12,037</u>
	<u>28,769</u>	<u>28,769</u>	<u>12,037</u>	<u>12,037</u>

Bank Loans

Within the creditors falling due within one year, the bank loan refers to a secured loan taken out with RBS Group with security in the form of a first legal charge against LIPA's property. The loan was for an amount of £2,500,000 repayable over a term of five years, at a rate of 3% plus base rate. The final repayment is scheduled to take place in December 2021.

During the year, a revolving credit facility with Santander was agreed in principle. This is for a three-year term for up to £1,500,000 at an interest rate of 2.6%. No funds had been drawn down from the facility as at the date of signing of these financial statements.

14. Creditors: Amounts falling due after more than one year	At 31 st July 2020		At 31 st July 2019	
	Consolidated	Institute	Consolidated	Institute
	£	£	£	£
Bank loan: Amounts payable				
Between one and two years	226,976	226,976	545,526	545,526
Between two and five years	-	-	226,976	226,976
Over five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>226,976</u>	<u>226,976</u>	<u>772,502</u>	<u>772,502</u>

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Notes to the Accounts continued For the year ended 31st July 2020

15. Endowments	Restricted Permanent Endowments £	Unrestricted Permanent Endowments £	Expendable Endowments £	2020 Total £	2019 Total £
Balances at 1st August 2019					
Capital	-	-	239,441	239,441	222,808
Accumulated Income	-	-	30,218	30,218	31,218
	-	-	270,184	270,184	254,026
New Donations and Endowments	-	-	950	950	21,950
Investment Income	-	-	270	270	508
Expenditure	-	-	(1,750)	(1,750)	(6,300)
At 31st July 2020	-	-	269,654	269,654	270,184
Represented by:					
Capital	-	-	238,689	238,689	239,441
Accumulated Income	-	-	30,965	30,965	30,743
	-	-	269,654	269,654	270,184
Analysis by type of purpose					
Bursary and Prize Funds	-	-	63,398	63,398	63,505
Culture	-	-	180,727	180,727	180,547
Graduate Business Support	-	-	25,529	25,529	26,132
	-	-	269,654	269,654	270,184
Analysis by Asset					
Cash	-	-	269,654	269,654	270,184

16. Restricted Reserves Reserves with restrictions are as follows:

	Capital Grants £	Other Restricted Funds and Donations £	2020 Total £	2019 Total £
Balances at 1st August 2019	-	422,120	422,120	410,897
New Grants	-	1,705,666	1,705,666	1,161,817
New Donations	-	10,000	10,000	11,223
Investment Income	-	-	-	-
Capital Grant Utilised	-	-	-	-
Expenditure	-	(1,705,666)	(1,705,666)	(1,161,817)
At 31st July 2020	-	432,120	432,120	422,120

Analysis of Other Restricted Funds and Donations by type of purpose

	2020 Total £	2019 Total £
Buildings	418,120	418,120
Other	14,000	4,000
	432,120	422,120

Other restricted funds include donations and restricted expendable endowments.

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Notes to the Accounts continued For the year ended 31st July 2020

17. Reconciliation of Cash Flow to Statement of Financial Position Consolidated

	At 1 st August 2019	Cash Flows	At 31 st July 2020
	£	£	£
Cash at Bank and on Deposit	4,664,157	(1,437,571)	3,226,586
Other	-	-	-
	<u>4,664,157</u>	<u>(1,437,571)</u>	<u>3,226,586</u>

18. Consolidated reconciliation of net credit

	31 July 2020 £	
Net credit at 1 August 2019	3,346,130	
Movement in cash and cash equivalents	(1,437,571)	
Other non-cash changes	545,526	
Net credit at 31 July 2020	<u>2,454,085</u>	
Change in net credit	(892,045)	
Analysis of net credit:	31 July 2020 £	31 July 2019 £
Cash and cash equivalents	3,226,586	4,664,157
Borrowings: amounts falling due within one year		
Secured loans	(545,525)	(545,525)
Borrowings: amounts falling after more than one year		
Secured loans	(226,976)	(772,502)
Net credit	<u>2,454,085</u>	<u>3,346,130</u>

19. Capital and Other Commitments Consolidated and Institute at 31st July

	2020 £	2019 £
Commitments contracted for:		
Refurbishment of Estates	24,738	2,893,982
Other capital additions	-	90,115
	<u>24,738</u>	<u>2,984,097</u>

20. Contingent Liabilities Consolidated and Institute at 31st July

	2020 £	2019 £
Guarantees	-	-

The Group has received Catalyst capital and revenue grant funding from the OfS over the course of the past two years. There are performance conditions attached to the grant funding extending to 31 July 2022. These relate to student number growth and student success outcomes. The likelihood of funds being clawed back is deemed to be low, but will be monitored through performance reports to the OfS.

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Notes to the Accounts continued For the year ended 31st July 2020

21. Lease Obligations

Consolidated and Institute

Total Rentals payable under Operating Leases

	31 st July 2020			31 st July 2019
	Plant and Machinery £	Other Leases £	Total £	Total £
Payable during the year	10,059	-	10,059	10,059
Future minimum Lease payments due				
Not later than one year	1,006	-	1,006	11,064
Later than 1 year and not later than 5 years	-	-	-	-
	1,006	-	1,006	11,064

22. Financial assets and liabilities

	31 st July 2020		31 st July 2019	
	Consolidated £	Institute £	Consolidated £	Institute £
Financial assets measured at amortised cost	3,434,346	3,434,346	4,844,667	4,842,663
Financial liabilities measured at amortised cost	2,318,055	2,318,055	3,646,451	3,643,501

23. Events after the Reporting Period

On 13 August 2020, LIPA transferred its outstanding loan balance from RBS to Santander. This was a commercial decision supported by the UK Governments Business Banking Switch scheme.

The impact on the Group arising from the recent COVID-19 pandemic has been considered by Council. There are no adjusting or non-adjusting events which have come to light at this current time.

24. Subsidiary Undertakings

During the year ended 31st July 2020, LIPA had one wholly owned subsidiary, LIPA Enterprises Limited (which is registered at the same address as LIPA).

LIPA Enterprises Limited is registered in England and Wales and was previously dormant; resulting in the cost of investment of £100 having been written off. The principal activity of the company is the provision of training courses. The plan is that LIPA Enterprises Limited will be dormant from 1 August 2020 onwards.

25. Connected Charitable Institutions

25.1 The LIPA Primary School

Salaries and third party costs paid by LIPA on behalf of The LIPA Primary School are recharged directly to it without uplift. In the year to 31st July 2020, LIPA charged The LIPA Primary School £92,098 for support services (2019: £89,044).

At 31st July 2020 The LIPA Primary School owed LIPA £nil (2019: £nil).

25.2 The LIPA Sixth Form College

Salaries and third party costs paid by LIPA on behalf of The LIPA Sixth Form College are recharged directly to it without uplift. In the year to 31st July 2020, LIPA charged The LIPA Sixth Form College £116,453 for support services (2019: £116,630).

At 31st July 2020 The LIPA Sixth Form College owed LIPA £nil (2019: £nil).

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Notes to the Accounts continued For the year ended 31st July 2020

26. Related Party Transactions

During the year, LIPA undertook the following transactions with related parties defined by Financial Reporting Standard 102.

26.1 The Liverpool Institute Charity

As set out in the Operating and Financial Review, LIPA is the sole corporate trustee of The Liverpool Institute Charity. LIPA occupies the Liverpool Institute Building, held in The Liverpool Institute Charity, under terms at £nil rent.

26.2 LIPA Enterprises Limited

Transactions with the subsidiary, LIPA Enterprises Limited, have not been disclosed under the exemption allowed in FRS102 Section 33.

26.3 LIPA members

M Featherstone-Witty, the Founding Principal and Chief Executive, is a member of the company. His remuneration is disclosed in note 2. J Dimmock, a member of the company, received remuneration of £25,810 for services provided to the company in the year (2019: £40,825). R Grey, another member of the company, is a consultant with Swan Turton LLP, who received payments of £13,074 in relation to professional services (2019: £nil). J Thornton, who is a paid employee of the company became a member of the company during the year and received remuneration of £57,418 during the year.

In addition to this, travel and other expenses totalling £994 were paid to or on behalf of two individuals (2019: £1,371 in relation to three individuals).

27. Pension Commitments

27.1 Defined Benefit Scheme

As stated in Accounting Policies note 6, for eligible employees the company contributes to the Teachers' Pension Scheme (TPS). The scheme is sector wide and the Department Education has provided the information below in order to meet the requirements of Financial Reporting Standard 102 Section 28.

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

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

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

Valuation of the Teachers' Pension Scheme

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers now pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%).

A copy of the latest valuation report can be found by following this link to the [Teachers' Pension Scheme website](#).

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Scheme Changes

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

The pension costs paid to TPS in the year amounted to £529,330 (2019: £371,414) and the total amount outstanding as at 31st July 2020 was £95,661 (2019: £67,563).

27.2 Defined Contribution Scheme

The employer's contributions payable in respect of defined contribution scheme arrangements were £333,822 (2019: £301,823). The amount outstanding at 31st July 2020 was £nil (2018: £nil).

The member and the company make contributions to the LIPA Staff Pension Schemes. Currently contribution rates for the main scheme are 7.4% to 11.7% of pensionable salary by the member and 16.48% of pensionable salary by the employer. Employees may choose to join a default scheme introduced as part of the Government's auto enrolment programme. Under this scheme both the member and the company make contributions of 3% of pensionable salary. Employees may elect to join neither the main nor the default scheme.

28. Legal Form

LIPA is a company limited by guarantee in the United Kingdom, with registration number 02511501. The company is a registered charity, number 1001565. The registered office is: Mount Street, Liverpool, L1 9HF.