



# **Report and Financial Statements**

Year ended 31 July 2018

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**Strategic Report****NATURE, OBJECTIVES AND STRATEGIES:**

The members present their report and audited financial statements for the year ended 31 July 2018.

**Legal status**

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the operations of Coleg y Cymoedd. The College is an exempt charity for the purposes of the Charities Act 2011.

**Public Benefit**

Coleg y Cymoedd is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Welsh Government. The members of the Corporation Board, who are trustees of the charity, are disclosed on pages 13 to 14.

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

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education;

- High quality teaching and learning
- Widening participation and tackling social exclusion
- Good outcomes and progression rates for students
- Strong learner support systems
- Links with employers, industry, commerce and higher education.

**Mission, Vision and Core Values****Mission**

Governors, learners, staff and managers reviewed the College's mission during 2015/16 and in June 2016 adopted a revised mission statement as follows:

**Your Future is our Mission****Vision**

Our vision is to be an excellent college focused on learner success.

**Core Values**

Our Mission and Vision is underpinned by a set of Core Values:

- **Learner Focus:** Placing the interests of our learners at the heart of our college and providing exceptional teaching and learning.
- **Continuous Improvement:** Fostering excellence in all that we do.
- **Developing People:** Recognising contribution and developing people within a healthy and supportive environment.
- **Positive Values and Culture:** Advocating positive professional relationships with our staff and learners.
- **Partnerships across Communities:** Actively seeking partnerships that add value to all our activities.

## Strategic Report (continued)

## Implementation of the Strategic Plan for 2016-19

The Strategic Plan for Coleg y Cymoedd for the period 1 August 2016 to 31 July 2019 was approved by the Corporation Board on 26<sup>th</sup> September 2016.

The plan contained seven strategic aims and within each aim, a set of objectives were developed for the second academic year of the three-year cycle i.e. 2017/18. Each objective was assigned to a member of the Strategic Leadership Team (SLT) and a reporting schedule was agreed. Progress was monitored at SLT meetings, shared with all managers at the College Management Team (CMT) meetings and reported to the various Corporation Committees and to the full Corporation Board via the Register of Strategic Risk. The plans are reviewed and updated each year.

The College's seven strategic aims (2016-19) are listed below with an indication of progress against the strategic objectives which were set for 2017/18. In addition the strategic objectives included within financial aim 7 for 2018/19 are detailed at the end.

- **Aim 1 – To give learners access to a curriculum that is relevant to their needs and future aspirations.** There were four objectives in this area – three have been achieved and one has been partially achieved. Four new objectives have been set for 2018/19.
- **Aim 2 – Provide effective teaching and learning and ensure systems are in place to support learners and the learning process.** There were five objectives in this area – all five have been achieved. Four new objectives have been set for 2018/19.
- **Aim 3 – To achieve excellence within a culture of continuous improvement.** There were three objectives in this area – two have been achieved and one has been partially achieved (subject to final outcomes). Three new objectives have been set for 2018/19.
- **Aim 4 – Promote and support the development of Welsh language/bilingual services and curriculum provision across the college.** There were three objectives in this area – all three have been achieved. Two new objectives have been set for 2018/19.
- **Aim 5 – To lead and govern the college in an inspirational and forward-looking manner developing and investing in our staff.** There were five objectives in this area – all five have been achieved. Four new objectives have been set for 2018/19.
- **Aim 6 – To be a significant partner in local, regional, national and international collaborative working arrangements and strategic partnerships.** There were four objectives in this area – all four have been achieved. Four new objectives have been set for 2018/19.
- **Aim 7 – To make investment and financial planning decisions to achieve long-term financial stability and sustainability.** There were four objectives in this area – all four have been achieved. Five new objectives have been set for 2018/19.

The College's financial objectives for 2018/19 are:

- **7.1 – Continue to grow and develop alternative income streams (not core FE funding) where possible. Work Based Learning (WBL) to maintain contract levels as a minimum and commercial target of £1m.**
- **7.2 – Ensure that the financial and physical resources of the College are planned, deployed and reviewed in a timely and open manner and that progress against key objectives is reported regularly to College management, governors and external bodies.**
  - OMT reports
  - CMT reports
  - SLT reports
  - Governors committees
- **7.3 – Ensure that the ICT and capital resources (including the capital programme) of the College are planned for in a way that ensures impact on the learning experience whilst adhering to all legislative and strategic requirements. Support the College in its commitment to providing facilities for all stakeholders.**

**Strategic Report (continued)**

- 7.4 – Ensure that the finances of the College are prudently planned and managed in order to improve the learner experience and to facilitate all the strategic objectives e.g. 3% surplus target.
- 7.5 – Ensure that the audit needs of the College are planned, managed and reported in a timely fashion to the College management and governors.

**Performance indicators**

A series of performance indicators have been agreed to monitor the successful implementation of the strategic aims and in relation to financial planning these are.

- Surplus/(deficit) before other gains and losses
- Net cash inflow / (outflow) re: operating activities
- Net current assets / (liabilities)
- Days net liquid assets to total expenditure
- Current ratio
- WG grant as % of total income
- Financial health status
- EBITDA (earnings before interest, tax, depreciation and amortisation) and before non-cash defined benefit obligations.

The College is required to complete the annual Finance Record for the Welsh Government.

**Benchmarking**

The College is committed to observing the importance of sector measures and indicators and uses the Learner Outcomes Reports (LOR) data available from the WG which looks at a range of provision and measures completion, attainment and successful completion. The LOR data for other colleges is also scrutinised to look at benchmarking.

**FINANCIAL POSITION****Financial results**

2017/18 was the fifth year of operations for Coleg y Cymoedd, following the merger in August 2013 of Coleg Morgannwg and Ystrad Mynach College.

**The College's income and expenditure for the year is summarised below:**

	<b>Actual 2017/2018 £'000</b>	<b>Actual 2016/2017 £'000</b>
Income	40,858	39,560
Expenditure	40,160	41,415
Surplus before Fundamental Items	863	338
Surplus/(Deficit) before other gains and losses	698	(1,855)
Total Comprehensive Income for the year	6,113	6,832

The College incurred a surplus before other gains and losses in the year of £698k (2016/17: deficit of £1,855k), with total comprehensive income of £6,113k, (2016/17: £6,832k).

The College has a surplus on its Income and Expenditure reserve of £13,903k (2017: surplus of £6,216k) and cash and short-term investment balances of £6,157k (2017: £5,391k). The accumulated reserves have increased in the last year due to a decrease in the defined benefit pension obligation of £4,300k. Cash and short-term investments have increased during the year as a result of the new Cynon Campus build being completed, leading to a lower level of capital expenditure in the year.

**Strategic Report (continued)**

Tangible fixed assets additions during the year amounted to £4,149k. This was split between assets under construction of £2,985k, land and buildings of £727k and equipment purchases of £437k. Assets under construction includes the Construction Workshop extension at Ystrad Mynach, which will cost £1.4m in total and was completed in August 2018. The addition to land and buildings relates to the purchase of land at Nantgarw from the WG.

The College has significant reliance on the WG for its principal funding source, largely from recurrent grants. In 2017/18 the WG provided 88.4% (2016/17: 88.1%) of the College's total income.

**Treasury policies and objectives**

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place.

All borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum with the Welsh Government.

**Cash flows and Liquidity**

At £2.5m (2017: £1.4m), net cash flow from operating activities was reasonably strong. The net cash flow resulted from the management of resources.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the cost of servicing debt and operating cash flow.

Liquidity as measured by the Current Ratio increased to 1.31 in 2017/18 compared to 1.18 in 2016/17 and is slightly lower than the Welsh average, which is 1.64 according to WG statistics for 2016/17. This ratio has increased as a consequence of the increase in cash holdings due to the completion of capital projects. The Days of Net Liquid Assets Ratio reveals 56 days compared to 47.5 days in 2016/17. The sector average for 2016/17 was 65 days.

Cash flow remains healthy and should increase further over the next year, as the College seeks to build up its reserves before the next tranche of capital projects begins.

**Reserves Policy**

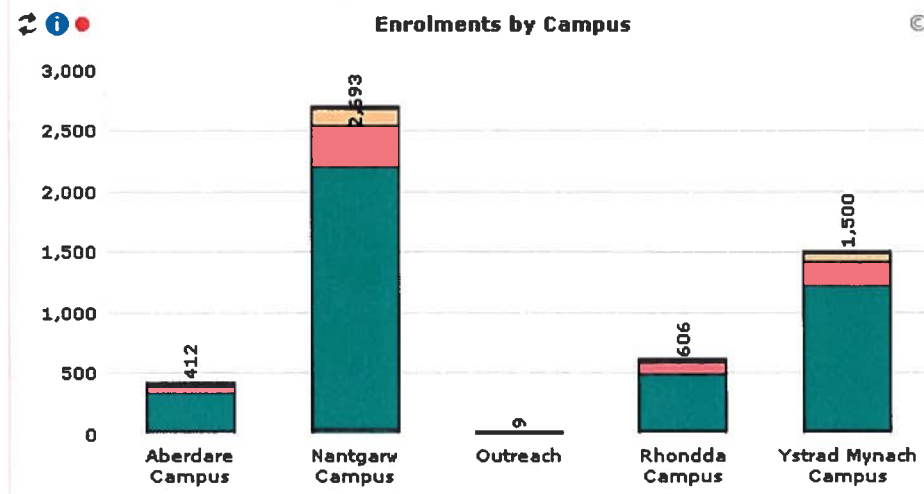
The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £13,903k (2017: £6,216k). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

**CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE****Student Numbers**

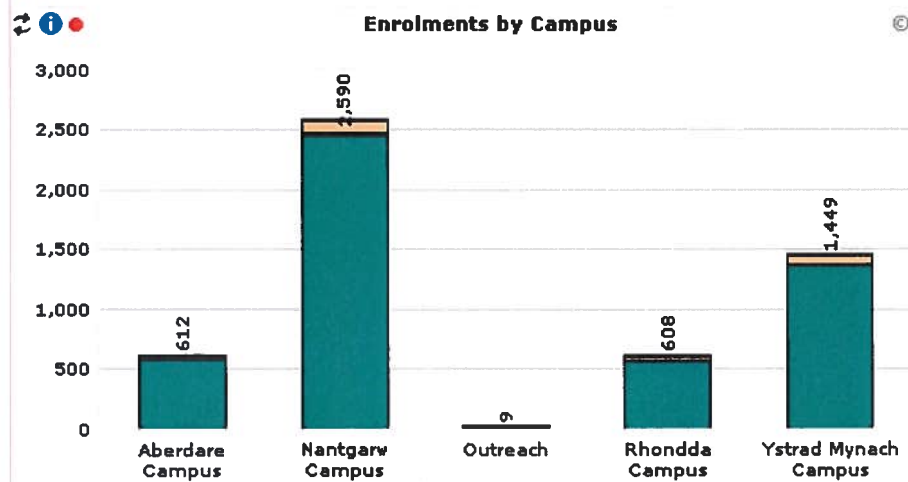
In 2017/18 the College has delivered activity that has produced £28,618k in WG FE mainstream allocation funding (2016/17: £28,265k). The College had approximately 5,200 full-time students and 5,200 part-time students. The investment in facilities at Aberdare paid off with a growth on that campus and a largely unchanged picture on the other campuses. The growth at Aberdare appears to be sustainable as the enrolments are largely on 2 year courses. The other campuses remain competitive, but longer term strategies for post 16 education in RCT and Caerphilly will be key. The school leaver progression to the college as a whole is fairly constant but the changes to the local employment market are making the competition for adults more intense. The college is reviewing its application and enrolment processes to ensure that our conversion rate from application to enrolment is maximised.

Strategic Report (continued)

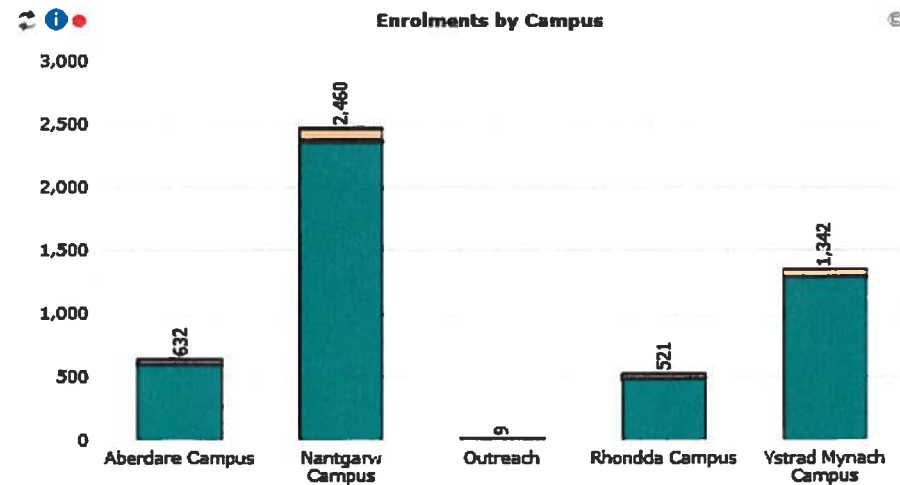
16/17



17/18



18/19



**Strategic Report (continued)****Student Achievements**

The learner outcomes at the college have been steadily improving over the last three years and are now at 83% successful completion for main qualifications. There are still two areas of the college that require significant improvements and these are subject to strategies for success – in the 'A' level centre led by the principal designate and in health and care led by the vice principal designate for curriculum quality. The leadership and governors are confident of achieving sustained improvement over the next two years but do not under estimate the size of this task.

**Curriculum changes**

In terms of the curriculum offer there were no significant changes in 2017/18.

Structures at a senior level have been strengthened to include three assistant principal posts covering teaching and learning, data and planning, and quality improvement. This senior structure will work with heads of school, campus co-ordinators and teaching and learning mentors to ensure that the improvements in teaching and learning and outcomes is sustained in areas that are at or above the national comparators and improved in those areas that are below.

The management of data quality improvement within the 'A' level centre transferred to the college from St David's Catholic College and the previous tripartite management arrangements ceased. The strategic alliance with Cardinal Newman School and St David's Catholic College ended in July 2018 and the college has now recruited additional 'A' level staff to cover all subjects and tweaked management arrangements to further strengthen support for learners. It was particularly pleasing that in the first year of college management an 8% improvement on successful completion was achieved.

The Partnerships Faculty continued to do well and increased both commercial income and the work-based learning contract with Skills Academy Wales and also took on responsibility for the delivery of two up-skilling ESF projects – SO1 and SO2.

**Payment Performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2017 to 31 July 2018, the College paid 94.1 per cent of its invoices within 30 days (2017: 94.4%). The College incurred no interest charges in respect of late payment for this period.

**Events after the end of the reporting period**

Details of post balance sheet events are included in notes to the financial statements (Note 24).

**Future Prospects**

The College continues to invest in facilities on all 4 campuses in order to enhance the learner experience and recruit and retain more learners. In 2017-18 we completed work on the Construction Workshop at the Ystrad Mynach Campus and addressed some capacity issues in the same subject area at the Nantgarw Campus. We used the WG Industrial Equipment bid process to install modern, industry related engineering facilities on the Rhondda campus. In terms of growth areas, we also developed facilities for increased demand in the Creative Industries sector. Finally in relation to reducing our reliance on recurrent, mainstream funding, we have developed a new base for our commercial, work based learning department on the Ystrad Mynach Campus. This will hopefully consolidate our growing success in offering training to the local economy. The work being done on retention of learners through projects, including an analysis of realistic progression pathways and a look at our entry criteria, should bear fruit in coming years as we hope to get better at ensuring that learners are motivated to stay and achieve through a careful process of curriculum choice.

**RESOURCES**

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include four campuses, a new £22m campus and £7.6m held in current assets.



**Strategic Report (continued)****Financial**

The College has £18.6m of net assets (including £16.1m pension liability) and long-term debt of £5.5m.

**People**

The College employs 634 people (expressed as full time equivalents), of whom 326 are teaching staff.

**Reputation**

The College is continuing to maintain its good reputation through active involvement in regional, local and national issues, and through its continual improvement in its quality profile. The investment levels of recent years are seen as an indicator of ambition for both our learners and the communities that we serve, and the willingness of the College to commit its time and staffing to key initiatives is appreciated. The College continues to play a key role in the Valleys Taskforce and in the planning and delivery of the Metro Project, and was chosen as the venue for the announcement and subsequent discussions around the franchise confirmation. As the only centre in Wales with specialist facilities for rail training we hope to enhance our reputation and help to deliver high quality training in relation to this nationally significant initiative.

**Going Concern**

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

**PRINCIPAL RISKS AND UNCERTAINTIES**

Based on the strategic plan, the Corporation Board undertakes a comprehensive review of the risks to which the College is exposed. Through the development of a Register of Strategic Risks (RSR), they identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The RSR identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The internal controls are then implemented and each year an appraisal of the RSR will review its effectiveness and progress against risk mitigation actions. In addition to reviewing the RSR four times a year at Corporation Board and three times a year at the Audit Committee, each specialist Corporation committee looks at the risks relating to their area and how they are being managed. All Corporation committees also consider any risks which may arise as a result of a new area of work being undertaken or a change to the circumstances affecting the college (funding, competition etc.) by the College and these would be added to the RSR as appropriate.

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

**1. Government funding**

The College is committed to growing and developing alternative income streams wherever such opportunities arise. In particular, the College is working hard to increase its commercial activities and through initiatives such as the enhanced programmes, which have been successfully established in 2017-18. We continue to try to respond to the increasing number of emerging pots of WG funding announced in the last 12 months, although we do experience the same risks as all colleges in being asked to commit to initiatives with short and often under informed time scales.

Whilst the FE sector has been protected to an extent in recent years in relation to some of the more substantive cuts, we do have the following recurring concerns:

- The threat of further reductions in public sector spending make it risky to plan investment;
- The PCET model remains clouded in its potential impact on us;
- Public sector pay pressures triggered by teachers pay agreements and the inconsistent model when funding pay rises across the sectors remains a concern, funding rates have not matched the cost pressures on the sector in recent years and so we would be concerned about unfunded pay pressures;
- The decline of European funding (albeit this will not impact for a few years);

**Strategic Report (continued)**

- The continuing state of flux in work based learning contracts.

This risk is mitigated in a number of ways:

- Considerable focus and investment is placed on maintaining and managing key relationships with the various employers and funding bodies;
- Regular dialogue with the Welsh Government;
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding;
- Developing exit plans in relation to European funding activities;
- By ensuring the College is rigorous in delivering high quality education and training, which leads to an expansion of opportunities as outlined above;
- Increasing commercial income to reduce reliance on public funding.

**2. Maintain adequate funding of pension liabilities**

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

**3. Increasing costs**

The recent pay movements in the teaching sector are of concern to us as they are not supported by a funding system which has not kept up with pension, NI and incremental drift pressures in recent years. Further the funding of pay settlements has a random element to it, with schoolteachers pay being funded but the associated areas such as FE not necessarily being funded, which is exacerbated by the notion of pay parity between the sectors. We would welcome the opportunity to fund pay increases for our staff but remain wary of not being able to fund them without further cost cutting exercises.

**STAKEHOLDER RELATIONSHIPS**

Coleg y Cymoedd has many stakeholders, these include:

- Students
- Staff
- The Welsh Government
- Local employers (with specific links)
- Local authorities
- Local communities
- Other FE institutions
- HE institutions in South Wales
- Trade unions
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through a variety of activities.

**Equality and Diversity**

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in each protected characteristic group - race, gender, sexual orientation, disability, gender identity, religion or belief, marital status, age and pregnancy/maternity. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. We are committed to measuring the impact of new and existing policies, practices and procedures on all equality groups by conducting appropriate impact assessments to ensure they are fair to all groups of people and do not impact adversely on them in any way. To this end, the College has a continuous programme of reviewing policies, procedures and practices in place.

**Strategic Report (continued)**

In September 2017 the College was re-assessed under the Disability Confident scheme and retained its Disability Confident Employer status, which will remain in place for a further 2 years. The scheme shows our commitment to recruiting, retaining and developing disabled employees.

The College made its second submission to the Workplace Equality Index in September 2017. The Index is Stonewall's benchmarking tool for LGBT inclusion in the workplace. For this submission we achieved an increase in ranking of 162 places to 202 out of 434 submissions.

The College was pleased to see the introduction of the College's LGBT Staff Network Group (Amity) in April of this year. The Network has met on two occasions, and also held drop in sessions on each campus, giving LGBT employees the opportunity to raise any issues or concerns in a safe, confidential setting.

As part of our community engagement programme, Pride Cymru visited all four campuses to promote their #ProudToBeMe campaign during May, and to talk to staff and learners regarding volunteering opportunities. The College will be taking part in the Pride event in Cardiff in August for the first time this year. There will be a Coleg y Cymoedd stall, with volunteers from the College supporting the stall during the weekend.

Victim Support continue to hold monthly hate crime support services on college campuses where staff and learners are encouraged to access support and information and discuss the reporting of hate crime.

The College co-hosted a Trans Allies Awareness programme with RCT Council in June, run by Stonewall. 18 members of college staff attended. As part of our commitment to supporting Trans staff and learners, the College has continued to develop its resource guides on gender identity, including guidance for Front line staff. All resources have been placed on the College intranet for staff to access. HR will be introducing round table training this year with staff on gender identity issues.

Coleg y Cymoedd continues to work towards making our workplace the best it can be for pregnant women and new mothers. During our first year of being a member of the Working Forward Initiative developed by the Equality and Human Rights Commission (EHRC) we have updated our maternity policies and practices, and introduced more line management involvement in the maternity process. Our focus now is on the experiences of pregnant learners during their course of study.

During 2017/2018 we have continued to raise awareness of Equality and Diversity issues throughout the College. We promoted National Awareness days via email, Staff Life and Twitter, such events included: International Day against Homophobia, Biphobia and Transphobia, LGBT History Month, Holocaust Memorial Day, International Day for the Elimination of Violence against Woman, Hate Crime Awareness week and Anti Bullying Week.

We continue to support all Stonewall campaigns, including Stonewall Season in October 2017, with the first Equal-tea event supported at the College across all campuses. Departments held coffee mornings and organised displays to #ComeOutForLGBT. Their Rainbow laces Campaign has also been fully supported during the year. Stonewall Laces were available to purchase on all campuses, and staff and learners were asked to get involved and show their support by wearing rainbow laces or brightly coloured clothing or accessories. The College's sports team also showed their support by wearing the laces during their matches.

In March 2018, we held our annual Equality & Diversity/Health & Well-being event at Aberdare campus. The event proved to be successful with 20 outside organisations providing staff and learners with information and advice on their services. Over 50 learners and members of staff attended the lived experience talks given by Time to Change Wales and Stonewall, with excellent feedback received from both.

We continue to encourage staff to provide their equality data via the self-service facility on Team Spirit, and have asked Line Managers to further encourage their teams at their departmental meetings. Staff have been reminded why data monitoring is so important to the College, and have been provided with information from Stonewall. We have seen a small increase in declaration rates but there remains to be considerable gaps in data. Work will continue this year to give staff more confidence in providing us with this information.

The staff awards this year saw the introduction of an award for Equality & Diversity. This award is for an individual or team who have embraced diversity and promoted equality within the College. Employees are nominated for having made an impact, inspired others and made a contribution to the College's commitment on Equality & Diversity.

**Strategic Report (continued)**

Aberdare campus were awarded the Silver award from RCT Young carers for their excellent working practice, and Rhondda Campus achieved Bronze award.

**Staff and Learner Involvement**

The college considers good communication with its staff and learners to be very important and to this end publishes regular updates via Staff Life and Student Life, which is available on the college portal and is accessible within and outside the college.

The College encourages staff and learner involvement through membership of formal committees and other cross college groups. These committees include the Governing Body, Academic Board, Learner Parliaments, Committees covering health, safety and wellbeing, sustainability and a range of other specialist groups.

**Environmental Performance Review**

Environmental objectives and targets are defined within the College 'Environmental Management System' as follows:

- Communication of environmental targets and sustainable practices to all persons across the College. This has been achieved by using various methods including extranet, inductions and campaigns;
- Develop and maintain sustainable campuses (including efficient use of energy and recycling). This has been improved by reducing a significant element of backlog maintenance and greater volumes of recycled materials reducing waste to landfill sites;
- Implementing a campus wide 'Green Travel Plan'. This has been achieved and continues to make good progress, monitored by the College Sustainability Group.

**Environmental performance over the past year**

Environmental performance can be summarised as follows:

	<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>
Electricity consumption (KWh)	3,563,164	3,785,794	3,747,619
Reduction year on year	5.88%	(1.0%)	0.1%
Kg CO2	1,938,361	2,059,472	2,038,705
Gas consumption (KWh)	5,043,380	4,799,149	4,905,514
Reduction/(increase) year on year	(5.08%)	2.2%	9.6%
Kg CO2	927,982	883,043	902,615
Gas & electric KWh/m2 floor area	153	148	149
Water consumption M3	21,888	38,577	19,719
Water consumption m3/m2 floor area	0.39	0.66	0.33

**Financial year 2017/18 energy use**

Degree day is a significant factor for year on year energy comparison. This winter generally was rather unsettled, with weather systems coming in from the west for most of the time, allowing only brief settled spells. Temperatures fluctuated either side of average, with some mild spells (especially in southern areas) but also spells with widespread frosts, with the most widespread cold weather coming right at the end of the season. Rainfall has not been far from average overall, though some places were rather wet in the first two months. Sunshine overall has been above average, with few exceptions.

December 2017 saw temperatures close to average in most areas, and slightly above in the south-west and the far north; the UK monthly mean temperature was 0.2 °C above the long-term average. January 2018 was warmer than average across England and Wales, but somewhat colder than average in northern Scotland, and the UK as a whole saw mean temperatures 0.4 °C above average. February was a cold month generally, with a mean temperature 1.3 °C below average.

**Strategic Report (continued)**

December was rather drier than average in some north-eastern areas, but central and south-east England, especially East Anglia, were rather wet. Overall the UK had 99% of average rainfall. January was rather wet in some western areas, but dry in Aberdeenshire. The UK overall had 110% of average rainfall in January. February was rather drier, especially in the second half, with 73% of average for the UK overall.

- Electricity consumption year on year has reduced, these figures are not significantly affected by the identified degree day fluctuations and generally falls within minor fluctuations year on year however this year's change is associated with the new Aberdare campus efficiencies.
- Water consumption has significantly reduced. Previous major underground leak at the Ystrad Mynach campus has now been identified and fully repaired.
- Gas continues to fluctuate with a 5.08% increase in consumption. The result highlights the impact of degree day on gas consumption although efficiencies can be targeted the degree day factor will significantly impact on any year on year comparisons.

**Professional advisers****Bankers:**

Lloyds Bank  
St William House  
Tresillian Terrace  
Cardiff  
CF10 5BH

**Solicitors:**

Capital Law  
Capital Building  
Tyndall Street  
Cardiff  
CF10 4AZ

**Financial Statements Independent Auditors:**

PricewaterhouseCoopers LLP  
One Kingsway  
Cardiff  
CF10 3PW

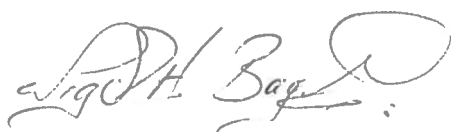
**Internal Auditors:**

TIAA Ltd  
53 – 55 Gosport Business Centre  
Aerodrome Road  
Gosport  
Hampshire  
PO13 0FQ

**Disclosure of information to auditors**

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

Approved by order of the members of the Corporation on 17<sup>th</sup> December 2018 and signed on its behalf by:



**N Bayford**  
**Chair**

**Statement of Responsibilities of the Members of the Corporation**

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

Within the terms and conditions of the Financial Memorandum agreed between the Welsh Government (WG) and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*, the Accounts Direction for Further Education Colleges in Wales for 2017/18 (issued by the Welsh Government) and the UK's Generally Accepted Accounting Principles, and which give a true and fair view of the state of affairs of the College and its surplus/deficit of income over expenditure for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

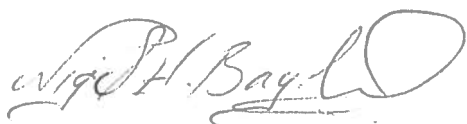
The Corporation is also required to prepare a Strategic Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard its assets and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by the WG and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the WG are used only in accordance with the Financial Memorandum with the WG and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, Members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the WG are not put at risk.

Approved by order of the Members of the Corporation on 17 December 2018 and signed on its behalf by:



**N Bayford**  
**Chair of Governors**

## Statement of Corporate Governance and Internal Control

## Governance Statement

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2017 to 31 July 2018 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. In full accordance with the guidance to colleges from Colegau Cymru / Colleges Wales in The Code of Good Governance for Colleges in Wales ("the Code").

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for Colleges in Wales issued by Colegau Cymru / Colleges Wales in 2016, which it formally adopted on 21 March 2016.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

## The Corporation

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

NAME	STATUS OF APPOINTMENT	DATE APPOINTED/ RE-APPOINTED/ DATE OF RESIGNATION	COMMITTEES SERVED	ATTENDANCE	
				BOARD	CMTTES
N Bayford (Chair)	Member	01/08/13 Appointed 01/08/15 Re-appointed	Finance & Estates Remuneration (Chair) Search (Chair)	4/4	5/6
J Bonetto	Member	01/08/15 Appointed 23/01/18 Resigned	Employment Policy Audit	1/1	0/2
C Bradshaw	Member	01/08/13 Appointed 01/08/17 Re-appointed	Curriculum & Quality	4/4	2/3
D Bull	Member	01/08/13 Appointed 01/08/15 Re-appointed	Employment Policy Audit (Chair)	2/4	8/9
O Davis	Student Member	01/09/17 Appointed	Curriculum & Quality	0/3	3/3
A Diplock	Member	01/09/17 Appointed	Employment Policy Audit Committee	4/4	4/6
J English (Vice-Chair)	Member	01/08/13 Appointed 01/08/16 Re-appointed	Finance & Estates (Vice-Chair) Remuneration, Search	2/4	3/6
J Evans	Principal / Accounting Officer	01/08/13 Appointed	Curriculum & Quality Finance & Estates	4/4	5/6
S Farquharson	Member	01/01/15 Appointed	Curriculum & Quality (Vice-Chair)	2/4	3/3

NAME	STATUS OF APPOINTMENT	DATE APPOINTED / RE-APPOINTED / DATE OF RESIGNATION	COMMITTEES SERVED	ATTENDANCE	
				BOARD	CMTTES
H Haines	Member	01/08/13 Appointed 01/08/15 Re-appointed 30/07/18 Resigned	Finance & Estates (Chair) Remuneration, Search	3/4	5/6
M Harding	Member	01/08/13 Appointed 01/08/16 Re-appointed	Curriculum & Quality (Chair) Audit	4/4	8/9
E J Hope	Member	01/01/18 Appointed	Employment Policy Audit	1/2	4/6
Karen James	Staff Member	01/08/17 Appointed	Finance & Estates	4/4	2/3
Dr R Lewis	Member	01/08/13 Appointed 01/06/15 Re-Appointed 12/03/18 Resigned	Curriculum & Quality	1/2	2/2
M Lippard	Member	01/08/13 Appointed 01/08/16 Re-appointed	Employment Policy (Vice-Chair) Audit	3/4	6/6
Dr P Smart	Member	01/08/13 Appointed 01/08/15 Re-appointed	Employment Policy (Chair) Audit	2/4	7/9
Cllr J Rosser	Member	01/08/17 Appointed	Curriculum & Quality	2/4	1/3
C Thomas	Member	01/11/16 Appointed	Employment Policy Audit	3/4	5/6
D Watters	Staff Member	01/04/16 Appointed	Curriculum & Quality	3/4	0/6
R Williams	Member	01/09/15 Appointed 22/08/18 Resigned	Employment Policy	1/4	2/6
P Wright	Member	01/05/18 Appointed	Finance & Estates	0/1	1/1
<b>Committee Co-optees</b>					
J Gilmore	Co-opted Committee Member	01/08/13 Appointed 01/08/17 Re-appointed	Finance & Estates	N/A	1/3
R Evans	Co-opted Committee Member	01/06/18 Appointed	Curriculum & Quality	N/A	1/1
Governance Officer to the Corporation: P O'Donnell					

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

The Corporation is provided with regular and timely information on the overall financial performance of the College, together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets a minimum of four times a year.



**Statement of Corporate Governance and Internal Control (continued)**

The Corporation conducts its business through a number of committees. Each committee has terms of reference which have been approved by the Corporation. These committees are Search, Remuneration, Employment Policy, Curriculum and Quality, Finance and Estates and Audit. In addition, the Corporation complies with the College's Code of Conduct for Governors, Code of Ethics, Policy Statement on Openness and Standing Orders. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Governance Officer to the Corporation at:

Coleg y Cymoedd  
Heol Y Coleg  
Nantgarw  
Rhondda Cynon Taff  
CF15 7QY

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

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

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

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

There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer are separate.

**Appointments to the Corporation**

Any new appointments to the Corporation are a matter for consideration of the Corporation as a whole. The Corporation has a Search Committee, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years, but may be appointed for a second term of four years to a maximum of eight years.

**Corporation Committees**

There are six committees of the Corporation. These committees are formally constituted with terms of reference and, with the exception of the Remuneration Committee and Search Committee, all meet a minimum of three times a year.

**Finance and Estates**

The Finance and Estates Committee considers in detail all financial aspects of the College. Particular attention is given to monthly management accounts, re-forecasts, and the annual budget. As the main policy committee it examines the Strategic Plan and monitors financial performance accordingly. It also considers the College's Estates Strategy.

**Audit Committee**

The Audit Committee comprises eight members of the Corporation. The Principal/Accounting Officer is not a member of this Committee and it does not contain any member who is a member of the Finance and Estates Committee. The Committee meets every term. It provides the forum for reporting by the College's internal and external auditors who always have the right of access to the Committee for independent discussion without the presence of management.

**Statement of Corporate Governance and Internal Control (continued)**

The Audit Committee is the main forum for examining the College's systems of control and advises the Corporation accordingly. The internal auditors monitor the systems of internal control, risk management and governance processes in accordance with an agreed internal audit plan and reports its findings to both management and the Committee. Management is responsible for the implementation of agreed audit recommendations and the Committee monitors progress on the implementation of agreed actions, including a periodic follow up by the internal auditors. It is also responsible for value for money exercises. To assist the Committee, members who are able to provide valuable expertise to the College may also be co-opted. The Committee receives reports from the Corporation's internal and external auditors as well as WG audit/compliance service and the Wales Audit Office.

**Employment Policy Committee**

The Employment Policy Committee considers all policy aspects of human resources including the management of health and safety of students, staff and the public.

**Curriculum and Quality Committee**

The Curriculum and Quality Committee has responsibility for the academic affairs of the College and monitors the work of the Academic Board, which is the main internal mechanism for the determination of general academic policy, strategy and priorities. It provides advice to the Corporation on the educational character and mission of the College.

**Search Committee**

The Search Committee is responsible for advising the Corporation on the appointment of new members to the Corporation and to its committees. It is also the governance committee within the Corporation and takes responsibility for reviewing the performance of the Corporation Board and other associated matters.

**Remuneration Committee**

The Remuneration Committee has the responsibility of determining the level of remuneration for senior post-holders. The senior post-holders are the Principal/Accounting Officer, Deputy Principals and Vice Principals.

Details of remuneration for the year ended 31 July 2018 is set out in note 8 to the financial statements.

**College Committees**

In addition to the Senior Leadership Team that meets every three weeks, the College Management Team also meet every three weeks. The SLT and CMT receive regular reports on enrolment statistics and trends, with performance against targets providing the basis of the strategic plan. The CMT and OMT receive regular reports on management accounts, the OMT focusses on all aspects of finance, estates and human resource issues. These Committees act as both a provider of vital information to the Corporation and its committees and is the body that ensures that the policies of the Corporation are implemented and risk assessed.

The College has a well-established Health, Safety and Wellbeing Committee that meets each term. This Committee advises the Senior Leadership Team and the Corporation, through the Employment Policy Committee, on all aspects of health, safety and wellbeing so helping to minimise risks within the College. It submits an annual report to the Corporation via the Employment Policy Committee.

The Academic Board of the College is another management forum that assists the Corporation by concentrating on the academic provision to maintain the highest quality. It meets three times a year. It submits an annual report to the Corporation via the Curriculum and Quality Committee.

Other forums have been established within the College to assist in the internal control process and manage information systems.

**Statement of Corporate Governance and Internal Control (continued)****Internal Control*****Scope of responsibility***

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Coleg y Cymoedd and the Welsh Government. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

***The purpose of the system of internal control***

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2018 and up to the date of approval of the annual report and financial statements.

***Capacity to handle risk***

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

***The risk and control framework***

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body;
- Regular reviews by the governing body of periodic and annual financial reports, which indicate the financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the Welsh Government's Further Education Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

**Statement of Corporate Governance and Internal Control (continued)****Review of effectiveness**

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- Comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, in their management letters and other reports.

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

The senior leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by their risk awareness training. The senior leadership team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior leadership team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2017 meeting the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior leadership team and internal audit, and taking account of events since 31 July 2018.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

**Going Concern**

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

**Statement of Regularity, Propriety and Compliance**

The Corporation has considered its responsibility to notify the Welsh Government of material irregularity, impropriety and non-compliance with the terms and conditions of funding, under the College's financial memorandum and contracts in place between the College and the Welsh Government. As part of our consideration we have had due regard to the requirements of the financial memorandum and contracts with the Welsh Government.

We confirm, on behalf of the Corporation, that after due enquiry, and **to the best of our knowledge**, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's financial memorandum and contracts with the Welsh Government.

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

Approved by order of the Members of the Corporation on 17 December 2018 and signed on its behalf by:



**N Bayford**  
Chair of Governors



**J Evans**  
Principal/Accounting Officer

# ***Independent auditors' report to the Corporation of Coleg y Cymoedd (the "institution")***

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## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Coleg y Cymoedd's financial statements (the "financial statements"):

- give a true and fair view of the state of the institution's affairs as at 31 July 2018, and of the income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been properly prepared in accordance with the Accounts Direction issued by the Welsh Government.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise the Balance Sheet as at 31 July 2018; the Statement of Comprehensive Income and Expenditure for the year then ended; the Statement of Changes in Reserves for the year then ended; the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

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

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent institution's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent institution's ability to continue as a going concern.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

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## Responsibilities for the financial statements and the audit

### *Responsibilities of the Corporation for the financial statements*

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 12, the Corporation is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Corporation is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the group's and parent institution's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the group and parent institution or to cease operations, or has no realistic alternative but to do so.

### *Auditors' 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 auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the institution's Corporation as a body in accordance with Article 18 of the institution's articles of government and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## Other Required Reporting

### **Opinions on other matters prescribed in the Further Education Audit Code of Practice 2015 issued by the Welsh Government**

In our opinion, in all material respects:

- monies expended out of Welsh Government grants and other funds from whatever source administered by the Institution for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation; and
- income has been applied in accordance with the financial memorandum with the Welsh Government.



PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff

17 December 2018

## Statement of Comprehensive Income and Expenditure

	Notes	2017/18 £'000	2016/17 £'000
<b>INCOME</b>			
Funding body grants	2	36,114	34,872
Tuition fees and education contracts	3	2,172	2,169
Other grants and contracts	4	723	712
Other income	5	1,831	1,752
Investment income	6	18	55
<b>Total income</b>		<b>40,858</b>	<b>39,560</b>
<b>EXPENDITURE</b>			
Staff costs	7	27,170	27,956
Fundamental staff restructuring costs	12	165	875
Other operating expenses	9	9,334	8,196
Fundamental campus maintenance costs / accelerated depreciation	12	-	1,318
Depreciation	13	2,803	2,315
Interest and other finance costs	10	688	755
<b>Total expenditure</b>		<b>40,160</b>	<b>41,415</b>
<b>Surplus before fundamental items</b>		<b>863</b>	<b>338</b>
Fundamental staff restructuring costs	12	(165)	(875)
Fundamental campus maintenance / accelerated depreciation	12	-	(1,318)
<b>Surplus / (Deficit) before other gains and losses</b>		<b>698</b>	<b>(1,855)</b>
Loss on disposal of assets		(275)	(33)
<b>Surplus / (Deficit) for the year</b>		<b>423</b>	<b>(1,888)</b>
Actuarial gain in respect of pension schemes		5,690	8,720
<b>Total Comprehensive Income for the year</b>		<b>6,113</b>	<b>6,832</b>
<b>Represented by:</b>			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		6,113	6,832
		<b>6,113</b>	<b>6,832</b>

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



## Statement of Changes in Reserves

	Income and Expenditure Account £'000	Revaluation Reserve £'000	Total Unrestricted Reserves £'000
<b>Balance at 1st August 2016 – previously reported</b>	<b>(2,916)</b>	<b>7,282</b>	<b>4,366</b>
Prior year adjustment (note 17)	1,335	-	1,335
<b>Balance at 1<sup>st</sup> August 2016 – as restated</b>	<b>(1,581)</b>	<b>7,282</b>	<b>5,701</b>
Deficit for the year	(1,888)	-	(1,888)
Other comprehensive income	8,720	-	8,720
Transfers between revaluation and income and expenditure reserves	965	(965)	-
<b>Total comprehensive income for the year</b>	<b>7,797</b>	<b>(965)</b>	<b>6,832</b>
<b>Balance as at 31st July 2017</b>	<b>6,216</b>	<b>6,317</b>	<b>12,533</b>
Surplus for the year	423	-	423
Other comprehensive income	5,690	-	5,690
Transfers between revaluation and income and expenditure reserves	1,574	(1,574)	-
<b>Total comprehensive income for the year</b>	<b>7,687</b>	<b>(1,574)</b>	<b>6,113</b>
<b>Balance at 31st July 2018</b>	<b>13,903</b>	<b>4,743</b>	<b>18,646</b>

## Balance Sheet

	Note	2017/18 £'000	2016/17 Restated £'000
<b>Non-current assets</b>			
Tangible fixed assets	13	90,825	91,295
		<b>90,825</b>	<b>91,295</b>
<b>Current assets</b>			
Trade and other receivables	14	1,536	1,512
Investments	15	1,000	1,006
Cash and cash equivalents	20	5,157	4,385
		<b>7,693</b>	<b>6,903</b>
<b>Creditors - amounts falling due within one year</b>	16	(5,859)	(5,872)
<b>Net current assets</b>		<b>1,834</b>	<b>1,031</b>
<b>Total assets less current liabilities</b>		<b>92,659</b>	<b>92,326</b>
Creditors - amounts falling due after more than one year	17	(56,434)	(57,372)
<b>Provisions</b>			
Defined benefit pension obligations	19	(16,168)	(20,468)
Other provisions	19	(1,411)	(1,952)
<b>TOTAL NET ASSETS</b>		<b>18,646</b>	<b>12,534</b>
<b>Unrestricted Reserves</b>			
Income and expenditure account		13,903	6,216
Revaluation reserve		4,743	6,318
<b>TOTAL UNRESTRICTED RESERVES</b>		<b>18,646</b>	<b>12,534</b>

The financial statements on pages 22 to 45 were approved and authorised for issue by the Corporation on 17 December 2018 and were signed on its behalf on that date by:



**N Bayford**  
Chair of Governors



**J Evans**  
Principal/Accounting Officer

## Statement of Cash Flows

	2017/18 £'000	2016/17 £'000
<b>Cash flow from operating activities</b>		
Surplus / (Deficit) for the year	423	(1,888)
<b>Adjustment for non-cash items</b>		
Depreciation	2,803	3,480
Increase in debtors	(21)	(402)
Decrease in creditors due within one year	(69)	(188)
(Decrease) / increase in provisions	(541)	22
Pensions costs less contributions payable	870	1,200
Pension finance cost	520	640
Deferred capital grants released to income	(1,739)	(1,583)
<b>Adjustment for investing or financing activities</b>		
Investment income	(18)	(55)
Interest payable	168	115
Loss on sale of fixed assets	148	33
<b>Net cash flow from operating activities</b>	<b>2,544</b>	<b>1,374</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	1,668	-
Investment income	15	71
Withdrawal of deposits	6	7,028
Payments made to acquire fixed assets	(4,149)	(17,291)
Deferred capital grants received	1,263	9,483
	<b>(1,197)</b>	<b>(709)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(169)	(123)
New secured loans	-	22
Repayments of amounts borrowed	(406)	(1,005)
	<b>(575)</b>	<b>(1,106)</b>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>	<b>772</b>	<b>(441)</b>
Cash and cash equivalents at beginning of the year	4,385	4,826
Cash and cash equivalents at end of the year	5,157	4,385

**Notes to the Financial Statements****1. Statement of accounting policies and estimation techniques**

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

**Basis of preparation**

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP)*, the *WG College Accounts Direction for 2017 to 2018* and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention for non-current assets.

**Going Concern**

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

The College currently has £5.96m of loans outstanding with bankers on terms negotiated in 2010, 2012 and 2016. The terms of the existing agreements are for up to another 18 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

**Recognition of income****Revenue grant funding**

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accruals model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year-end reconciliation process with the funding body following the year-end, and the results of any funding audits.

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

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year, as appropriate.

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

**Notes to the Financial Statements (continued)****Capital grant funding**

Government capital grants, with the exception of government capital grants relating to land, are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other capital grants, and all capital grants relating to land, are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as conditions are met.

**Fee income**

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

**Investment income**

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

**European income**

European funds are included as income during the period in which they are received, unless it is known with reasonable certainty that the monies will be forthcoming, and, in such cases, the income is included in the period in which it is earned.

**Fundamental items**

Where items of income or expenditure arise that are material in size or nature, these are shown separately on the face of the income and expenditure account. This is to ensure the reader has appropriate information to understand the financial performance of the College. Such items include the funding and associated costs of staff redundancies and other large, non-recurring expenditures.

**Agency arrangements**

FCF: The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the Welsh Government and subsequent disbursements to students are excluded from the income and expenditure of the College and are shown separately in note 27, except for the 3 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Financial Contingency Fund applications and payments.

ESF: The College is a lead partner in a consortium to deliver two ESF projects. Income claimed from the Wales European Funding Office (WEFO) and payable to consortium partners has been excluded from these financial statements. More information is included in note 4.

**Accounting for post-employment benefits**

Post-employment benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

**Teachers' Pension Scheme (TPS)**

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

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

**Notes to the Financial Statements (continued)*****Rhondda Cynon Taff Local Government Pension Scheme (RCT LGPS)***

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of the staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

**Short-term Employment benefits**

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

**Enhanced pensions**

The actual cost of any enhanced ongoing pensions to former members of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pensions of former members of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the Association of Colleges.

**Non-current assets – Tangible Fixed Assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The College capitalises assets at cost, this is defined as: the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

***Land and buildings***

Land and buildings inherited from the Local Education Authority on incorporation are stated in the balance sheet at valuation on the basis of depreciated replacement cost, as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis.

Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful economic lives to the College, which is normally between 10 and 90 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic lives.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. Any capital grants received in respect of land are credited to a deferred income account within creditors, and are released to the income and expenditure account when all performance related conditions are met. The deferred income is allocated between creditors due within one year and those due after more than one year.

On adoption of FRS 102, the College followed the transitional provision to revert the value of land and buildings back to historic cost. The College has decided not to adopt a policy of revaluation of these properties in the future.

**Notes to the Financial Statements (continued)****Assets under construction**

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

**Subsequent expenditure on existing fixed assets**

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income and expenditure in the period in which it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis:

**Equipment**

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its useful economic life as follows:

• Plant and machinery	10 years on a straight-line basis
• Furniture, fixtures and fittings	10 years on a straight-line basis
• Equipment	5 years on a straight-line basis
• Computer hardware	3 years on a straight-line basis
• Motor vehicles	4 years on a straight-line basis

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

**Impairment review**

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amount are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

**Borrowing costs**

Where long-term debt is obtained for construction of a building, the College has adopted a policy of capitalising finance costs (interest on long-term debt), as allowed by FRS 15. This will be applied consistently to all tangible fixed assets where finance costs can be directly attributable to the construction.

**Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1<sup>st</sup> August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1<sup>st</sup> August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

**Investments**

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

**Notes to the Financial Statements (continued)****Inventories**

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

**Cash and cash equivalents**

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

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

**Maintenance of premises**

The cost of routine corrective maintenance is charged to the income and expenditure account in the period in which it is incurred.

**Foreign currency translation**

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

**Taxation**

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

**Provisions and contingent liabilities**

Provisions are recognised when

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College 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 College. 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.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.



## Notes to the Financial Statements (continued)

## Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

## Other key sources of estimation uncertainty

- **Tangible fixed assets**

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

- **Local Government Pension Scheme**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 to value the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## 2. Funding body grants

	2017/18 £'000	2016/17 £'000
Core Recurrent funding	28,618	28,265
Other recurrent funding	1,928	2,265
Release of WG capital grants	1,486	1,264
Work-based learning	4,082	3,078
<b>Total</b>	<b>36,114</b>	<b>34,872</b>

## 3. Tuition Fees and Education Contracts

	2017/18 £'000	2016/17 £'000
EU (including home) tuition fees	400	352
HE fees	1,143	1,019
Examination fees and expenses (non-EU community)	50	75
<b>Total fees paid by or on behalf of individual students</b>	<b>1,593</b>	<b>1,446</b>
<b>Education contracts</b>		
Higher Education income	202	313
Other contracts (including Local Education Authority)	377	410
<b>Total</b>	<b>2,172</b>	<b>2,169</b>

## Notes to the Financial Statements (continued)

## 4. Other Grants and Contracts

	2017/18 £'000	2016/17 £'000
European Commission grants	692	706
Other grants and contracts	31	6
<b>Total</b>	<b>723</b>	<b>712</b>

The College is the lead partner in a consortium to deliver two ESF Priority 2 operations called Upskilling @ Work Specific Objective 1 and Upskilling @ Work Specific Objective 2 and a member of a consortium who deliver Inspire to Achieve (I2A). The income in European funds above includes that earned by the College in its capacity both as a provider and as the consortium lead. All other income claimed from Wales European Funding Office (WEFO) and payable to consortium partners has been excluded from these financial statements. Total income claimed in the year under this arrangement and the related payments to partners was as follows:

	2017/18 £'000	2016/17 £'000
Income received from WEFO	1,133	941
Payments to other Partners	(434)	(387)
College Expenses	(414)	(187)
<b>Total</b>	<b>285</b>	<b>367</b>

## 5. Other Income

	2017/18 £'000	2016/17 £'000
Catering	6	11
Releases from deferred capital grants (Non-WG)	252	318
Other income-generating activities	686	634
Other income	887	789
<b>Total</b>	<b>1,831</b>	<b>1,752</b>

## 6. Investment Income

	2017/18 £'000	2016/17 £'000
Interest receivable	18	55
<b>Total</b>	<b>18</b>	<b>55</b>

## 7. Staff Costs

The average number of persons (including key management personnel) employed by the College during the year, expressed as full-time equivalents, together with their costs was:

	2017/18		2016/17	
	No.	£'000	No.	£'000
Teaching and learning departments	326	14,697	322	14,875
Teaching and learning support services	122	4,205	125	4,155
Other support services	76	2,495	82	2,665
Administration and central services	80	3,773	85	3,876
General education expenditure	3	104	3	113
Premises	21	734	24	787
Other income generating activities	6	253	7	272
<b>Sub-Total</b>	<b>634</b>	<b>26,261</b>	<b>648</b>	<b>26,743</b>
Staff restructuring		165		875
Enhanced pension charge		39		13
FRS102 pension top-up charge		870		1,200
<b>Total</b>		<b>27,335</b>		<b>28,831</b>

## Notes to the Financial Statements (continued)

## Staff costs

	2017/18 £'000	2016/17 £'000
Wages and salaries	20,810	21,337
Social security costs	2,029	2,026
Other pension costs	4,331	4,593
<b>Payroll sub total</b>	<b>27,170</b>	<b>27,956</b>
Fundamental restructuring costs* - Contractual	123	574
- Non-contractual	42	301
<b>Total staff costs</b>	<b>27,335</b>	<b>28,831</b>

\*During the year a voluntary restructuring exercise took place, resulting in a release of 15 (2017: 37) members of staff at a cost of £165k (2017: £875k).

A pay award of 1% was approved by the Corporation with effect from 1 August 2017 (2016: 1%).

## 8. Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Leadership Team, which comprises the Principal/Accounting Officer, Deputy Principal, Vice Principal and Assistant Principals.

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

	2017/18 No.	2016/17 No.
The number of key management personnel including the Principal/Accounting Officer was:	9	5

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

	2017/18 No.	2016/17 No.
£60,001 to £70,000	5	1
£70,001 to £80,000	1	1
£80,001 to £90,000	1	1
£90,001 to £100,000	1	1
£150,001 - £160,000	1	1
<b>Total</b>	<b>9</b>	<b>5</b>

Key management personnel emoluments are made up as follows:

	2017/18 £	2016/17 £
Salaries	621,416	474,386
Benefits in kind	12,789	12,910
	634,205	487,296
Pension contributions	93,624	74,261
<b>Total emoluments</b>	<b>727,829</b>	<b>561,557</b>

**Notes to the Financial Statements (continued)**

The above emoluments include amounts payable to the Principal/Accounting Officer (who is also the highest-paid officer) of:

	2017/18 £	2016/17 £
Salary	146,929	146,451
Benefits in kind	10,505	9,412
	157,434	155,863
Pension contributions	24,135	24,135
<b>Total emoluments</b>	<b>181,569</b>	<b>179,998</b>

The pension contributions in respect of the Principal/Accounting Officer and five of the eight other senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme, with the remaining senior post-holders contributing to the Local Government Pension Scheme. All contributions are paid at the same rate as for other employees.

**Compensation for loss of office paid to former key management personnel**

The aggregate amount of compensation paid to the Principal/Accounting Officer and any key management personnel in respect of loss of office was:

	2017/18 No. of Staff	2017/18 £	2016/17 No. of Staff	2016/17 £
Compensation paid to former post-holders - contractual	1	13,203	1	14,181
Estimated value of other benefits, including provisions for pension benefits	1	113,252	1	25,502

The compensation paid relates to one individual – the former Vice Principal HR and Compliance who left the College in August 2017.

The members of the Corporation (other than the Principal/Accounting Officer and staff members) did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. The amount of travel expenses paid and the number of governors this relates to is shown below:

	2017/18 No. of Governors	2017/18 £	2016/17 No. of Governors	2016/17 £
Travel expenses	3	1,005	3	1,057

**9. Other Operating Expenses**

	2017/18 £'000	2016/17 £'000
Teaching costs	3,334	2,673
Non – teaching costs	3,281	2,896
Premises costs	2,719	2,627
<b>Total</b>	<b>9,334</b>	<b>8,196</b>

## Notes to the Financial Statements (continued)

	2017/18 £'000	2016/17 £'000
<b>Other operating expenses include:</b>		
Auditors' remuneration		
- Financial statements audit	33	32
- Other services provided by the financial statements auditors	12	10
- Internal audit	25	27
Losses on disposal of non-current assets	275	33
Hire of assets operating leases	45	62

**10. Interest and Other Finance Costs**

	2017/18 £'000	2016/17 £'000
On bank loans, overdrafts and other loans	168	115
Net interest on defined pension liability (Note 25)	520	640
<b>Total</b>	<b>688</b>	<b>755</b>

**11. Taxation**

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

**12. Fundamental items**

	2017/18 £'000	2016/17 £'000
Staff restructuring costs	165	875
Campus maintenance costs* / accelerated depreciation#	-	1,318
<b>Net costs</b>	<b>165</b>	<b>2,193</b>

\* £153k relates to costs incurred in regards to the dilapidations claim for our old Rhymney Campus.

# The old Aberdare Campus has been written down during the year (by accelerating depreciation of £1,165k) to the value of the sales proceeds which were received on sale in 2017/18.

## Notes to the Financial Statements (continued)

## 13. Tangible Fixed Assets

	Freehold land and buildings £'000	Assets under construction £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>				
At 1 August 2017	87,389	20,465	7,295	115,149
Additions	727	2,985	437	4,149
Transfers	21,174	(21,851)	677	-
Disposals	(4,486)	(153)	(336)	(4,975)
<b>At 31 July 2018</b>	<b>104,804</b>	<b>1,446</b>	<b>8,073</b>	<b>114,323</b>
<b>Accumulated depreciation</b>				
At 1 August 2017	(18,334)	-	(5,520)	(23,854)
Charge for the year	(2,041)	-	(762)	(2,803)
Eliminated in respect of disposals	2,832	-	327	3,159
<b>At 31 July 2018</b>	<b>(17,543)</b>	<b>-</b>	<b>(5,955)</b>	<b>(23,498)</b>
<b>Net book value at 31 July 2018</b>	<b>87,261</b>	<b>1,446</b>	<b>2,118</b>	<b>90,825</b>
Net book value at 31 July 2017	69,055	20,465	1,775	91,295
Inherited	4,743	-	-	4,743
Financed by capital grant	52,611	758	824	54,193
Other	29,907	688	1,294	31,889
<b>Net book value at 31 July 2018</b>	<b>87,261</b>	<b>1,446</b>	<b>2,118</b>	<b>90,825</b>

The old Aberdare campus was sold during 2017/18 and the proceeds were re-invested into financing the new Cynon campus build.

## 14. Trade and other Receivables

	2017/18 £'000	2016/17 £'000
Trade receivables	242	333
Prepayments and accrued income	1,294	1,179
	<b>1,536</b>	<b>1,512</b>

## 15. Investments

	2017/18 £'000	2016/17 £'000
Short-term deposits	1,000	1,006

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority. £1m is currently held in a 32-day notice account at a variable rate of interest.

## Notes to the Financial Statements (continued)

## 16. Creditors - Amounts Falling Due Within One Year

	2017/18 £'000	2016/17 £'000
Bank loans and overdrafts	396	394
Other Loans	27	34
Trade payables	269	236
Other taxation and social security	532	516
Accruals and deferred income - WG	503	48
Non-WG *	2,538	3,111
Deferred income – capital grants - WG	1,366	1,302
Non-WG	228	231
	<b>5,859</b>	<b>5,872</b>

\* Accruals and deferred income (non-WG) include an amount of £998k (2017: £1,054,360) in respect of accrued holiday pay.

## 17. Creditors - Amounts Falling Due After One Year

	2017/18 £'000	2016/17 Restated £'000
Bank loans	5,501	5,875
Other Loans	39	66
Deferred income – capital grants – WG*	41,370	41,657
Non-WG*	9,524	9,774
	<b>56,434</b>	<b>57,372</b>

\* Deferred income relating to WG capital grants of land of £1,153k and non-WG capital grants of land of £182k have been removed from the 31 July 2017 and 31 July 2016 balance sheet following a review of the performance conditions relating to these grants. There is no difference to previously reported Income and Expenditure figures, however, total reserves have increased by £1,335.

## 18. Maturity of Debt

## Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2017/18 £'000	2016/17 £'000
In one year or less	423	427
Between one and two years	400	402
Between two and five years	1,180	1,183
In five years or more	3,960	4,357
	<b>5,963</b>	<b>6,369</b>

The Lloyds bank loan at 3.58%, repayable by quarterly instalments falling due between 1 August 2012 and 31 December 2027 totalling £3m, is unsecured.

Other loans provided by Salix Finance Ltd are interest-free and repayable by half-yearly instalments falling due between 1 August 2012 and 1 April 2025 totalling £212k, are also unsecured.

The WG financial transaction at 2.4%, repayable in quarterly instalments falling due between 1 June 2016 and 1 March 2036 totalling £4.5m, is secured on the new Aberdare Campus.

## Notes to the Financial Statements (continued)

## 19. Provisions

	Defined benefit pension obligations £'000	Restructuring £'000	Campus maintenance £'000	Enhanced Pensions £'000	Total £'000
At 1 August 2017	20,468	192	300	1,460	22,420
Utilised in Year	(4,300)	(192)	(300)	(112)	(4,904)
Additional provision in year	-	24	-	39	63
<b>At 31 July 2018</b>	<b>16,168</b>	<b>24</b>	<b>-</b>	<b>1,387</b>	<b>17,579</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in note 25.

The restructuring provision relates to staff roles dependant on grant funding, which are due to expire. It also includes pension and redundancy costs resulting from the 2018 voluntary restructuring process.

The enhanced pension's provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance issued by the AOC and WG.

## 20. Cash and cash equivalents

	At August 1 2017 £'000	Cash flows £'000	At 31 July 2018 £'000
Cash and cash equivalents	4,385	772	5,157
<b>Total</b>	<b>4,385</b>	<b>772</b>	<b>5,157</b>

## 21. Capital and other Commitments

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Commitments contracted for at 31 July	259	3,217
Authorised but not contracted at 31 July	-	803

The capital commitments at 31 July 2018 relate to capital equipment ordered before year-end, which was financed from the WG industry standard equipment grant.

In addition to the above commitments, the college has plans to build an iconic development on land purchased adjacent to the college site in Nantgarw. Costs are uncertain at the present time.



## Notes to the Financial Statements (continued)

## 22. Lease obligations

At 31 July 2018 and 2017 the College had minimum lease payments under non-cancellable operating leases as follows:

	2017/2018 £'000	2016/2017 £'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	32	32
Later than one year and not later than five years	129	129
Later than five years	235	267
	<b>396</b>	<b>428</b>
<b>Other</b>		
Not later than one year	23	46
Later than one year and not later than five years	16	34
	<b>39</b>	<b>80</b>

## 23. Contingencies

The college is currently looking to zero rate part of the new Cynon campus build, which could potentially lead to a refund of VAT from the contractor in the region of £1.0m. 50% of this refund may need to be refunded to the WG, who funded 50% of the project costs.

As this amount is uncertain, the college has not included this potential refund in the college accounts.

## 24. Events after the end of the reporting period

A £1.15m loan was received from HSBC in December 2018. This loan was for a period of up to ten years at an interest rate of 2.25%.

## 25. Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Rhondda Cynon Taff County Borough Council. Both are multi-employer defined benefit plans.

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

	2017/18 £'000	2016/17 £'000
Teachers' Pension Scheme: contributions	1,998	2,058
Local Government Pension Scheme:		
Contributions paid	1,424	1,323
FRS 102 (28) charge	870	1,200
Charge to the Statement of Comprehensive Income	<b>4,292</b>	<b>4,581</b>
Enhanced pension charge to Statement of Comprehensive Income	39	12
<b>Total pension cost for year within staff costs</b>	<b>4,331</b>	<b>4,593</b>

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

**Notes to the Financial Statements (continued)****Teachers' Pension Scheme**

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

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191.5 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay;
- the assumed real rate of return is 3.0% in excess of prices and 2.0% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,998k (2017: £2,058k).

**Local Government Pension Scheme**

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Rhondda Cynon Taff County Borough Council (RCTCBC). The total contributions made for the year ended 31 July 2018 were £2,759k (2017: £2,993k), of which employer's contributions totalled £2,294k (2017: £2,523k) and employees' contributions totalled £465k (2017: £470k). The agreed contribution rates for future years are 16.0% for employers and range from 5.5% to 12.5% for employees, depending on salary.

A change in the way employer contributions for LGPS are paid came into effect in April 2011. The new method consists of an employer contribution rate per employee of 16.0% (previously 14.9%), and an additional capital sum payable by the College, which has been dictated by the Rhondda Cynon Taff independent actuaries. The College made a capital sum payment for the period August 2017 to July 2018 of £299k (2016/17: £231k), which is included in the total employer contributions figures above.

**Introduction**

The disclosures below relate to the funded liabilities within the Rhondda Cynon Taff County Borough Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS").

**Notes to the Financial Statements (continued)**

The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earning scheme. Details of the benefits earned over the period covered by this disclosure are set out in 'The Local Government Pension Scheme Regulations 2013' (as amended) and 'The Local Government Pensions Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'.

**Funding / Governance Arrangements of the LGPS**

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2016 and the contributions to be paid until 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate.

The Fund Administering Authority, Rhondda Cynon Taf County Borough Council, is responsible for the governance of the Fund.

**Assets**

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the disclosures.

The Fund Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

**Risks associated with the Fund in relation to accounting****Asset volatility**

The liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields at the accounting date. If assets underperform this yield will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which, while expected to outperform corporate bonds in the long term, creates volatility and risk in the short term in relation to the accounting figures.

**Changes in Bond Yield**

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result (to the extent the Fund invests in corporate bonds).

**Inflation Risk**

The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are not perfectly correlated with inflation meaning that an increase in inflation will increase the deficit.

**Life expectancy**

The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

## Notes to the Financial Statements (continued)

## Exiting employers

Employers who leave the Fund (or their guarantor) may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further the assets at exit in respect of 'orphan liabilities' may, in retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of the overall liabilities in the Fund.

**Principal actuarial assumptions:**

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	31 July 2018	31 July 2017	31 July 2016
Discount rate	2.8%	2.6%	2.4%
RPI inflation	3.2%	3.1%	2.9%
CPI inflation	2.1%	2.0%	1.8%
Pension increases	2.1%	2.0%	1.8%
Pension accounts revaluation rate	2.1%	2.0%	1.8%
Salary increases:			
- 1 August 2015 to 31 July 2019	3.35%	3.25%	3.3%

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. Sample life expectancies at age 65 resulting from these mortality assumptions are shown below.

	31 July 2018 No.	31 July 2017 No.
<b>Males</b>		
Member aged 65 at accounting date	22.9	22.8
Member aged 45 at accounting date	25.1	25.0
<b>Female</b>		
Member aged 65 at accounting date	25.0	24.9
Member aged 45 at accounting date	27.3	27.2

**Asset allocation**

	Value at 31 July 2018 %	Value at 31 July 2017 %
Equities	74.0	72.6
Property	5.2	5.9
Government bonds	8.8	9.4
Corporate bonds	9.3	10.0
Cash	2.7	2.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## Notes to the Financial Statements (continued)

**Reconciliation of funded status to balance sheet**

	Value as at 31 July 2018 £'000	Value as at 31 July 2017 £'000
Fair value of assets	50,620	44,530
Present value of funded defined benefit obligation	(66,790)	(65,000)
<b>Liability recognised on the balance sheet</b>	<b>(16,170)</b>	<b>(20,470)</b>

The split of the liabilities at the last valuation between the various categories of members is as follows:

Active members:	49%
Deferred Members:	22%
Pensioners:	29%

**Amounts recognised in income statement**

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
<b>Operating cost</b>		
Current service cost	2,270	2,420
Past service cost	-	420
	<b>2,270</b>	<b>2,840</b>
<b>Financing cost</b>		
Interest on net defined benefit liability	520	640
<b>Pension expense recognised in income statement</b>	<b>2,790</b>	<b>3,480</b>
Allowance for administration expenses included in Current Service Cost	40	40

**Amounts recognised in other comprehensive income**

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Asset gains arising during the year	4,580	3,780
Losses arising during the year	1,110	4,940
<b>Total amount recognised in other comprehensive income</b>	<b>5,690</b>	<b>8,720</b>

**Changes to the present value of the defined benefit obligation**

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Opening defined benefit obligation	65,000	66,160
Current service cost	2,270	2,420
Interest expense on defined benefit obligation	1,680	1,580
Contributions by participants	470	470
Actuarial losses on liabilities	(1,110)	(4,940)
Net benefits paid out	(1,520)	(1,110)
Past service cost	-	420
<b>Closing defined benefit obligation</b>	<b>66,790</b>	<b>65,000</b>

## Notes to the Financial Statements (continued)

**Changes to the fair value of assets**

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Opening fair value of assets	44,530	38,810
Interest income on assets	1,160	940
Re-measurement gains on assets	4,580	3,780
Contributions by the employer	1,400	1,640
Contributions by participants	470	470
Net benefits paid out	(1,520)	(1,110)
<b>Closing fair value of assets</b>	<b>50,620</b>	<b>44,530</b>

**Actual return on assets**

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Interest income on assets	1,160	940
Gain on assets	4,580	3,780
<b>Actual return on assets</b>	<b>5,740</b>	<b>4,720</b>

**26. Related Party Transactions**

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

No transactions were identified which must be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

The College supports the seven principles of public life set out by the Nolan Committee. In this respect the College believes that the principle of openness leads to a requirement for the disclosure of transactions not required by FRS 8. There were no transactions identified which should be disclosed under the principle of openness.

## Notes to the Financial Statements (continued)

## 27. Financial Contingency Fund

	Year ended 31 July 2018 £	Year ended 31 July 2017 £
Balance brought forward	13,311	169
WG grant	824,242	824,242
Interest earned	262	124
	<b>837,815</b>	<b>824,535</b>
<b>Disbursed to students</b>		
Childcare	448,080	477,312
Books and equipment	8,908	10,374
Tuition, exam and registration fees	34,545	33,177
Transport	178,439	147,620
Other	79,071	117,401
<b>Total disbursed to students</b>	<b>749,043</b>	<b>785,884</b>
Administration costs	24,694	24,694
Bank charges	592	646
<b>Total disbursements</b>	<b>774,329</b>	<b>811,224</b>
<b>Balance unspent at 31 July</b>	<b>63,486</b>	<b>13,311</b>

Financial Contingency Fund grants are available solely for students. In the majority of instances, the College acts only as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account.

