



Report and Financial Statements

Year ended 31 July 2014

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Operating and Financial Review

The members present their report and audited financial statements for the year ended 31 July 2014.

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.

Mission, Strategic Aims & Objectives

'Making the Valleys stronger through excellent skills, education and training'.

Learner Focus

Strategic Aim 1: Provide advice and direction to give learners the aspiration, care, support and guidance they need to progress to employment or higher studies.

- 1.1 Evaluate ability levels of all learners at or before entry and ensure right choice of course.
- 1.2 Evaluate abilities of all learners and implement appropriate strategies for supporting their needs and to enable them to succeed on their course in accordance with the new support model.
- 1.3 Develop a system that will enable learners to evaluate and take advantage of opportunities for progression to further training and/or higher education.
- 1.4 Deliver a structured programme of employability skills that will equip learners with the necessary toolkit for entering the employment of their choice. Deploy through the new tutorial programme and take cognisance of the economic challenges within the valleys.

Strategic Aim 2: Give all learners access to a curriculum that is relevant to their employment, lifestyle and further training needs and meets the needs of employers and other education providers in terms of literacy, numeracy, enterprise and other employability / life skills.

- 2.1 Review the curriculum annually to ensure that the priorities from the sources below are addressed: Welsh Government Priorities; Employers & SSCs; LMI / Skills Observatory Information; Learners' choices.
- 2.2 Ensure that the areas below are embedded into all courses as appropriate: Health & Wellbeing; Numeracy, literacy, IT and communication skills; Sustainability; Enterprise; Life skills; Work Experience; WBQ (where appropriate).
- 2.3 Ensure that enterprise and entrepreneurship activities are in place for full time learners on all campuses in accordance with Welsh Government enterprise targets as follows:
 - Engage = 100%
 - Empower = 20%
 - Equip = 2%
- 2.4 Raise the profile of Coleg y Cymoedd by ensuring the College enters a minimum of two high profile external awards.

Strategic Aim 3: Ensure that the Welsh language and culture is promoted in the College and that clear targets are set to support growth in the post-16 offer for students wishing to study through the medium of Welsh or bilingually.

- 3.1 Deliver all the objectives laid out in the College's Welsh Language Scheme and the Bilingual Champions' Agreements.
- 3.2 Support learners who have been educated through the medium of Welsh or who express a preference to follow all or part of their studies through the medium of Welsh.
- 3.3 Promote Welsh Language and culture through a schedule of campus based events, e.g. St David's Day celebrations, mini Eisteddfod, focus groups and social group.

Operating and Financial Review (continued)

3.4 Increase links with Welsh Medium Schools.

Improving Performance

Strategic Aim 4 - Improve standards of teaching, training and learning and ensure that quality management is robust, evaluates performance across all areas, is aimed at continuous improvement and striving for excellence

4.1 As part of the appraisal process, observe at least one teaching session each year for every lecturer to ensure standards are appropriate and improvement is targeted to a minimum standard of 'good' for all lecturers.

4.2 Evaluate all teaching sessions' outcomes that are adequate or unsatisfactory and provide support via appropriate timed action plans.

4.3 Establish targets based on sector benchmarks to improve outcomes effectiveness across all curriculum areas.

4.4 Set objectives for all course leaders that emphasise improvements in both outcomes and learner feedback.

4.5 Analyse Learner feedback to identify requested improvements. Communicate the College response.

4.6 Establish a data management information group to ensure that managers have access to robust and reliable data.

4.7 Implement and evaluate the effectiveness of the Quality handbook.

Strategic Aim 5 - Improve retention, attainment, completion and progression rates by identifying and monitoring critical success factors and ensure that learners are encouraged and challenged to achieve their potential

5.1 Improve overall learner success rates - improve by 2% in year 2 and a further 2% in year 3.

5.2 Improve overall retention rates by 2% in each year.

5.3 Achieve a minimum of 88% attendance on all full time courses, increasing to 90% in year 2 and 92% in year 3. Emphasise the importance of attendance to learners.

5.4 Carry out Quality probes on tutorial LEAP in Terms 1, 2 & 3.

5.5 Develop a system to capture progression destinations for all learners - benchmarking against other Colleges where information is available.

5.6 Provide opportunities for all full time learners for employment experience with high quality employers (or realistic working environment) to maximise progression into employment.

People & Resources

Strategic Aim 6 - Ensure that the College is seen as the employer of choice and an exemplar in its approach to performance management, continuing professional development and the promotion of health, safety and wellbeing.

6.1 Develop a CPD strategy to drive improvement and address:- College Priorities; WG Priorities; Individual training needs identified in PDRs / Appraisals; ESTYN Steers; Employer / SCC feedback; The changing landscape of FE; Changes to legislative frameworks.

6.2 Ensure that Health, Safety and Wellbeing are high profile across the College in relation to completion of risk assessments in all areas and the positive promotion of health & wellbeing initiatives.

6.3 Ensure that all staff have an annual appraisal with objectives that are linked to the College aims and which provide appropriate development. Monitor that performance and development throughout the year.

Operating and Financial Review (continued)

6.4 Complete job evaluation phase 1 and assess the financial impact.

6.5 Implement the revised appraisal system.

6.6 Ensure that the College complies with the new requirements of the Education (Wales) Act 2014 in relation to the Education Workforce Council.

Strategic Aim 7 - Ensure that the investment and financial planning decisions taken in the organisation are aimed at long term financial stability and sustainability to deliver effective teaching and learning and appropriate investment in resources and the college estate. Evaluate changes to Welsh Government Funding to ascertain the impact on the financial stability of the college.

7.1 Monitor and update the Financial Strategy to reflect the challenging financial environment and to reflect the financial reporting requirements of the College.

7.2 Assess the levels of investment required to support the curriculum plan.

7.3 Maintain reserves at the level articulated in the Financial Strategy.

7.4 Monitor targets based on financial sector benchmarks. Establish targets for Estates.

7.5 Develop sustainable procurement practice that ensures maximum benefit from resources.

Strategic Aim 8 - Provide inspirational and forward looking leadership and governance committed to a clear vision for the College and ensuring that performance is improved, monitored, challenged and celebrated.

8.1 Renew and develop KPIs that cover all aspects of the College's work, i.e. curriculum, quality, staff performance, financial performance and response to Learner Voice and the National Student Survey.

8.2 Communicate the annual objectives to all staff throughout the College.

8.3 Deliver and evaluate the "Managing Quietly" leadership programme to be implemented in 2014/2015.

8.4 Promote participation in internal and external awards and competitions that celebrate high performance and success.

8.5 Communicate and monitor the College communication strategy.

Strategic Aim 9 - Ensure that the perceived benefits of merger are measured and monitored and the Coleg y Cymoedd brand is recognised for providing high quality education, skills and training across South East Wales.

9.1 Monitoring Coleg y Cymoedd merger plan against targets set out in the merger Business Case.

9.2 Further develop brand Coleg y Cymoedd through a well-structured communication strategy.

Partnership

Strategic Aim 10: To play a significant role in local, regional and national strategic partnerships to include businesses, employers, schools, Private Training providers, ACL providers, local authorities, HEIs, other FEIs and the Welsh Government.

10.1 Play an active part in local, regional & national business forums (CBI, TFW, Rhondda & Caerphilly Business Clubs, FSB, SSCs, and specific employers). Ensure business development activities are both proactive and reactive.

10.2 Play an active role in the 14-19 partnership network and other local authority educational and strategic groups to maximise opportunities for learners in Caerphilly & RCT.

10.3 Work with SAW to extend WBL opportunities within Caerphilly & RCT.

Operating and Financial Review (continued)

10.4 Work with SSCs, PTPs and other providers across SE Wales to provide progression opportunities and wider choice for learners.

10.5 Work with HEIs to improve access and progression to higher education. In particular use the new Strategic Alliance with USW to develop more HE opportunities.

10.6 Work with other Colleges & Colegau Cymru to share best practice and external peer assessment.

10.7 Play an active part in local, regional and national Welsh Government forums.

10.8 Work with local authorities to ensure ACL provision is focussed on priority areas including employability skills.

The year under review

2013-2014 is the first year of operating for Coleg y Cymoedd. Coleg y Cymoedd is one of two colleges located within the County Boroughs of Caerphilly and Rhondda Cynon Taff. The College is committed to improving all aspects of the learner experience. Improving quality is a continuous process and the College's recent Self -Assessment Report (SAR) shows progress is being made in this area.

The College promotes high expectations in its learners and encourages inclusion; it is working hard to reduce disadvantage and addressing economic poverty through educational opportunity. The College can adapt to changes in demand and can increase its vocational and traditional academic provision as required by government or market conditions.

Fulfilling its mission and contributing to the Welsh Government's (WG) education and training agenda are a commitment of the College. However, over recent years further education colleges have had to work in a difficult, uncertain and challenging environment. There have been many academic and cost driven initiatives thrust upon the sector. Coleg y Cymoedd has responded positively to these and will continue to do so in the future.

2013-2014 was the 21st accounting period for further education institutions following incorporation on 30 September 1992 and full independent status on 1 April 1993.

For Coleg y Cymoedd 2013-2014 has been a very challenging but successful year despite the continued restrictions on funded growth facing colleges. Enrolments of Learndirect and 14 to 18-year-old learners decreased on 2012-2013 levels. Full-time and evening learner enrolments increased, part-time day and community learner enrolments decreased on the 2012-2013 enrolment levels. This was partly as a result of the economic recession and increased competition from organisations offering heavily subsidised or free training. Full-time 16-18 year old learner numbers increased primarily as a result of an additional learner franchise programme with St David's 6th form College. However, a number of schools across Caerphilly and Rhondda Cynon Taff remain reluctant to broaden opportunities for their pupils by making them aware of the broad and varied learning opportunities the College has to offer.

Despite restrictions and reductions in funding, including reductions in the Learners with Learning Difficulties and Disabilities (LLDD) grant, the College continued its commitment to widening participation and inclusive learning.

The College received no capital maintenance funding from the Department for Education and Skills (DfES) to assist with its backlog maintenance and estate upgrading. In the past the legacy colleges used this funding for improving and enhancing the estate by addressing a number of health and safety and backlog maintenance issues.

In 2013-2014 there was a reduction in European grant funding primarily as a result of the closure of old projects and the delays by the Welsh Government in issuing priorities for the new round of European funding. The ESIW Project was very successful hitting many but not all of its targets. 2013-2014 was the last year of the Pathway to Apprenticeship Programme. Attached to this programme was over £1.6m of funding and this enabled the College to offer pre-apprenticeship training to over 150 learners. In 2014-2015 this programme will have a reduced value of £480k, and will be restricted to 46 Engineering learner places.

Operating and Financial Review (continued)

Financial objectives and review

Despite the continued tough financial climate, 2013-2014 saw the College deliver an underlying operating surplus and significantly increased levels of reserves and liquid funds. This shows that the College's robust financial management has ensured it can operate and produce strong financial results and maintain a high level of core academic and vocational activity despite the challenging climate in which it operated.

In 2013-2014 the College's core funding consisted of three separate components:

1. The regular mainstream allocation. The College's allocation fell from £29.38m to £27.44m (-6.6%). With inflationary pressures this means a real terms reduction of almost 9%;
2. The Pathways to Apprenticeship Programme was in its final year and was worth £1.44m to the College;
3. The Adult Skills initiative was also in its last year and was worth £1.84m to the College.

The College's 2013-2014 total income decreased by £868k (1.8%) to £41.9m from £42.7m in comparison to the 2012-2013 joint income of the two legacy colleges. The College is aware of the need to grow and increase the diversification of its income base and rely less on WG grant funding. 2013-2014 saw this reliance slightly increase to 86% from the joint legacy college's 2012-2013 level of 84.4%. WBL increased in 2013-2014 by £508k (27%) to £2.4m from £1.89m in 2012-2013.

Income from Tuition Fees and Education Contracts increased on the 2012-2013 level of the legacy colleges by £110k (4%) to £2.89m from £2.78m in 2012-2013. HE franchise fee income increased by £98k (26%) to £480k, while FE and HE fee income and charges decreased by £88k (5.8%) to £1.4m. Other Education Contracts increased by £100k (11%) to £1.004m.

European and other grant income decreased by £330k (43%) on the 2012-2013 level of the joint legacy colleges to £436k.

Other Income decreased by £38k (1.5%) on the 2012-2013 level to £2.49m. Investment income increased by £8k (16%) on the 2012-2013 level to £59k.

There was a £158k (1.7%) increase in the level of Other Operating Expenses to £9.4m on the 2012-2013 combined levels for the legacy colleges. Given inflationary pressures and the newly merged college getting to grips with its new budgets, this is a negligible increase. Premises running costs decreased by £554k to £2.3m (19%) on the 2012-2013 level, primarily as a result of environmental awareness, 'green initiatives' and a mild winter. Administration and central service costs increased by £1.54m (46.2%) to £4.58m on the 2012-2013 level. Within non-pay expenditure, depreciation increased on the 2012-2013 level of £3.48m to £3.71m (6.75%). In 2013-2014 the College's Total Cost base decreased by £265k (0.6%).

Pay costs decreased by £554k (1.84%) on the 2012-2013 level despite a pay award being made by the College, the funding of incremental drift, lecturer pay progression from main grade to upper points on the pay scale, a FRS 17 retirement benefit adjustment of £540k plus £1.108m for the cost of a voluntary redundancy scheme.

Summary results for the year

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

	**Budgeted 2013/2014 £'000	Actual 2012/2013 £'000	Actual 2013/2014 £'000
Income	41,136	42,791	41,923
Expenditure	41,931	43,678	43,413
Underlying Operating Surplus	991	680	758
Operating (Deficit)	(795)	(887)	(1,489)
Historical Cost Surplus/(Deficit)	(154)	1,829	(371)

(**information taken from the Feb 2014 Management Accounts)

Operating and Financial Review (continued)**Pensions**

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 17.

Capital projects

2013-2014 saw the new college continue with a campus refurbishment and upgrade programme and an investment in the acquisition of other fixed assets.

With no assistance Maintenance or Capital grants available from Welsh Government the college spent £541k on maintenance work.

A number of capital bids were submitted or re-submitted to the Welsh Government including:

- a new £22m campus at Aberdare;
- a new £6m sports facility at Ystrad Mynach campus to replace the current S Block;
- a new £2.2m Motor Vehicle training and assessment centre to be built at the Ystrad Mynach campus to replace the current facility housed on the Rhymney campus;
- a new £3.08m Railway Training centre to be built on the Nantgarw campus;
- a new £2m Sports facility to be built at the Nantgarw campus.

During 2013-2014 the College continued to invest in ICT aimed at providing the latest hardware, software, equipment and information and learning technology (ILT) opportunities for both its staff and learners based and working within the new facilities.

External borrowing

The levels of external borrowing remain relatively low as the College has reduced them during year. No new borrowing took place in 2013-2014 other than interest free loans from Salix used to fund energy efficient equipment upgrading. By the end of July 2014 bank borrowing was £3.62m compared to £3.87m in 2012-2013.

Cash flow

The 2013-2014 cash flow statement shows that there was an increase in cash of £1.592m compared with a decrease in cash of £184k in 2012-2013 for the joint legacy colleges. The College had net funds of £8.589m at 31 July 2014 (£7.213m at 31 July 2013). The balance of cash at bank and in hand, plus short-term investment, was £12.235m at 31 July 2014, compared with £11.130m at 31 July 2013 for the joint legacy colleges.

Principal risks and uncertainties

The College operates a robust system of risk management throughout the organisation to protect its reputation and assets. A strategic risk register is maintained at the College which is reviewed regularly throughout the year. The risk register identifies the strategic risks, the likelihood of those risks occurring, their potential impact and the actions taken/being taken to mitigate those risks. Risks are prioritised using a consistent scoring system.

The high level strategic risks identified in 2013-2014 were:

- Failure to provide adequate student support
- Failure to maintain up-to-date human resource policies and procedures, resulting in increased exposure to non-compliance with employment legislation and College procedures
- The College fails to get DfES support for its 2014-2016 Capital Project (a new campus at Aberdare)
- Decrease in standards of teaching provided to students
- Failure to maintain the financial viability of the College

Not all factors are within the College's control and other factors besides those listed may also adversely affect the College.

Operating and Financial Review (continued)

The current economic outlook appears uncertain for the whole FE sector. However, one thing is certain that this will impact upon the College's future finances either through forcing it to reduce its provision, or through lower numbers of students within the workplace or through lower taxation revenues feeding into the education and training budget. However, this would affect all institutions and may provide the catalyst for institutions or other public sector organisations to work more closely with the College to take advantage of more efficient operations.

Maintaining financial viability and returning to operating surpluses are key to the success of any college. The College's major source of funding is from WG paid via the suspended funding system (NPFS). The settlements for the post-16 education sector remain tight with no increases in the unit of resource but reductions in learning programme values, through the new LAPs model.

The College needs to generate operating surpluses to invest in the business and provide a buffer against difficult times. This is proving extremely difficult in an increasingly competitive environment where it is challenging persuading employers to pay for training. The College is mitigating the risk of falling learning area values by reviewing all courses and withdrawing those courses that do not cover their direct costs and overheads; maximising income from core provision and other WG initiatives such as the Enhanced Engineering programme, whilst minimising costs and not adding to overheads.; Seeking further efficiency gains from staffing by means of vacancy control, reduction in absence/ / sickness costs and tight budgetary control of both pay and non-pay costs.

Coleg y Cymoedd is continuing to develop links with schools across both RCT and Caerphilly in an effort to reduce nugatory competition and to sustain 14-19 transformation developments, but many of the schools in these areas do not wish to work with them. The Welsh Government's latest funding developments will increase the financial pressure on non-viable provision and this can only improve by forcing closer partnership working with the LEAs and local schools.

Payment Performance Policy Statement

It is the College's policy to follow the Better Payments Practice Code, whereby the College agrees payment terms with suppliers and pays bills in accordance with contractual terms and/or required by law.

The College has not paid interest under The Late Payment of Commercial Debts (Interest) Act 1998 during the year ended 31 July 2014.

The number of days taken to pay bills in the current financial year was 27 days (2013: 24 days).

Liquidity

Liquidity as measured by the Current Ratio increased to 4.66 in 2013-2014 compared to 4.09 in 2012-2013. This ratio is strong and considerably higher than the Welsh average, which is normally below 2.5 according to Welsh Government statistics. The Days of Net Liquid Assets Ratio reveals 103 days compared to 93 days in 2012-2013. The sector estimated range for 2013-2014 is between 6 - 124 days.

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. Short-term borrowing for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits in the Financial Memorandum with the WG. All other borrowing requires the authorisation of the College and shall comply with the requirements of the Financial Memorandum of the WG.

Post balance sheet events

Details of post balance sheet events are included in notes to the accounts (Note 31).

Operating and Financial Review (continued)

Stakeholder relationships

In line with other colleges and universities, Coleg y Cymoedd has many stakeholders. These include:

- Students
- Funding councils
- Staff
- Local employers (with specific links)
- Local authorities
- Government offices
- The local community
- Other FE institutions
- Trade unions
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College internet site and by meetings.

Employment of disabled persons

The College has an Equality and Diversity Working Party responsible for reviewing and updating procedures and practices across all courses, administrative systems and recruitment.

The College always considers applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees.

Access to the College for disabled persons

The College has continued to improve access to all its facilities for the disabled. Access to existing buildings has been improved and new buildings continue to be designed to accommodate disabled persons.

The College is proud to be able to display the "Disabled Initiative" Award, as this highlights its positive and progressive policies as an employer and education provider, committed to working to eliminate discrimination against disabled people in its structure, employment practices and attitudes and equality of opportunity for disabled people.

The College's policy is to provide training and education for career development for disabled learners which are, as far as possible, equal to those for other learners. The College is continually seeking to improve its facilities and provision offered to disabled learners.

Staff and Learner Involvement

The College considers good communication with its staff to be very important and to this end publishes a regular e-newsletter, which is available to all staff.

The College encourages staff and learner involvement through membership of formal committees. These committees include the Governing Body and Academic Board.

Operating and Financial Review (continued)

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:

	2013/14	2012/13
Electricity consumption (KWh)	3,850,287	4,049,367
Reduction/(increase) year on year	4.9%	n/a
Kg CO2	2,094,556	2,202,856
Gas consumption (KWh)	4,448,415	5,989,455
Reduction/(increase) year on year	27.7%	n/a
Kg CO2	818,508	1,102,060
Gas & electric KWh/m2 floor area	144	174
Water consumption M3	20,578	26,156
Water consumption m3/m2 floor area	0.36	0.45

Financial year 2013/14 energy use

There has been a significant reduction in energy consumption between the two financial years (a reduction of 1,854,970 KW/h at 18.11%) and there are a number of mitigating/significant factors that need to be taken into account to understand where the reductions have taken place and how to target further reductions.

- Degree day is the significant factor and needs to be taken into consideration when comparing the headline results, winter 2013 extending well beyond April resulting in the 5th coldest spring in national records and the coldest spring since 1962. Against this, spring 2014 was one of the warmest, the overall mean temperature for this spring was 9.0°C, which is 1.3°C above the average, and a remarkable 3.0°C warmer than spring 2013. It was provisionally the UK's third warmest spring in a series from 1910 (with only the springs of 2007 and 2011 warmer). Comparison period February to May accounted for 1,124,803 Kw/h reductions outlining the significant impact of degree day differences.
- TELC operational issues with services/BMS on initial set up significant increase in consumption for plant/services in financial year 2012/13. During 2013/14 a number of these issues have been resolved and settings/operational times and particularly gas consumption reduced due to operation of solar panels which were preheating plate exchange for the domestic hot water.

Operating and Financial Review (continued)

- TELC Biomass, when operational, was very effective but a number of initial issues due to the design of the feed mechanism, moisture content and delivery method (containers) meant that the gas boilers were in lead during some of these down periods, so there is an opportunity to further reduce gas consumption in the future and this will be reflected in reduced Kw/h due to how the biomass operates as lead boiler.
- With the smart electric metering now in place at Ystrad Mynach, half hourly information will identify areas to further target and the next year should start to show results of the Salix loan funded energy efficient lighting installed there. This will also be the case for the Rhondda campus where historic smart metering information is already available for year on year comparisons; this is true to a limited degree at the Nantgarw campus.

Professional advisers

Bankers:

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Deloitte LLP
5 Callaghan Square
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Disclosure of information to auditor

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 15th December 2014 and signed on its behalf by:


L James
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 Principal, is required to prepare financial statements for each financial year in accordance with the *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and which give a true and fair view of the state of affairs of the College and the result for that year.

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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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 the assets of the College and to prevent and detect fraud and other irregularities.

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 the WG may prescribe 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 by the WG are not put at risk.

Approved by order of the Members of the Corporation on 15 December 2014 and signed on its behalf by:



L James
Chair

Independent auditors' report to the Corporation of Coleg Y Cymoedd (the "Institution")

Report on the financial statements

Our opinion

In our opinion, the financial statements, defined below:

- give a true and fair view of the state of the Institution's affairs as at 31 July 2014, and of the Institution's income and expenditure, recognised gains and losses and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements which are prepared by Coleg Y Cymoedd, comprise:

- the Balance Sheet as at 31 July 2014;
- the Income and Expenditure Account for the year then ended;
- the Statement of Total Recognised Gains and Losses for the year then ended;
- the Statement of Historical Cost Surpluses and Deficits for the year then ended;
- the Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in its preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Generally Accepted Accounting Practice.

In applying the financial reporting framework, the Corporation has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Institution's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Corporation; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinions on other matters prescribed in the Further Education Audit Code of Practice 2007 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.

Responsibilities for the financial statements and the audit

Respective responsibilities of the Corporation or Governing Body and auditors

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

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 College'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.



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Cardiff 19 December 2014

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

Corporate Governance Statement incorporating the Statement of Internal Control

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

This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code (the Code) issued by the Financial Reporting Council (FRC) in September 2012. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2014. 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.

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 composition of the Corporation is set out on page 17. 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.

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, 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 clerk to the Corporation at:

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

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

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

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

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

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

Corporate Governance Statement incorporating the Statement of Internal Control (continued)**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.

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 approves the Strategic Plan and monitors financial performance accordingly. It also approves the College's Estates Strategy.

Audit Committee

The Audit Committee comprises eight members of the Corporation. The Principal 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.

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 are co-opted who are able to provide valuable expertise to the College. 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 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.

Corporate Governance Statement incorporating the Statement of Internal Control (continued)

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, Deputy Principals and Vice Principals. The Committee comprises the Chair of Employment Policy Committee.

Details of remuneration for the year ended 31 July 2014 is set out in note 8 to the financial statements.

College Committees

The College has a Strategic Management Team that meets every two weeks. It receives regular reports on management accounts, enrolment statistics and trends, with performance against targets providing the basis of the strategic plan. It acts 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 and Wellbeing Committee that meets each term. This Committee advises the Strategic Management Team and the Corporation, through the Employment and Policy Committee, on all aspects of health and safety so helping to minimise risks within the College.

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.

The College has also established an Estates Strategy Team that meets periodically to review progress and consider new major initiatives. It advises the Finance and Estates Committee. Two members of the Corporation serve on this group.

Corporate Governance Statement Incorporating the Statement of Internal Control (continued)

NAME	STATUS OF APPOINTMENT	DATE APPOINTED/ RE-APPOINTED/ DATE OF RESIGNATION	COMMITTEES SERVED
N Bayford	Business Member	01/08/13 Appointed	Finance & Estates
C Bradshaw	Local Authority Member	01/08/13 Appointed	Curriculum & Quality
D Bull	Business Member	01/08/13 Appointed	Employment Policy Audit
D Collins	Business Member	01/08/13 Appointed	Audit
C Connor	Co-opted to Board	01/10/13 Appointed	Curriculum & Quality
P Cooper	Business Member	01/08/13 Appointed	Finance & Estates
Cllr W David	Local Authority Member	01/06/14 Appointed	Curriculum & Quality
J English	Co-opted to Board	01/10/13 Appointed	Finance & Estates
J Evans	Principal	01/08/13 Appointed	Employment Policy Curriculum & Quality Finance & Estates
H Haines	Business Member	01/08/13 Appointed	Finance & Estates
Cllr E Hanagan	Community Member	01/08/13 Appointed	Employment Policy
Cllr D Hardacre	Local Authority Member	01/08/13 Appointed 31/05/14 Resigned	Curriculum & Quality
M Harding	Community Member	01/08/13 Appointed	Curriculum & Quality Audit
B Hunt	Staff Member	01/08/13 Appointed	Curriculum & Quality
L James	Co-opted to Board	01/08/13 Appointed	Chair
Dr R Lewis	Community Member	01/06/14 Appointed	Curriculum & Quality
M Lippard	Business Member	01/08/13 Appointed	Employment Policy Audit
G Morgan	Student Member	09/06/14 Appointed	Curriculum & Quality
Prof C Mulholland	Community Member	01/08/13 Appointed 31/05/14 Resigned	Curriculum & Quality
Dr P Smart	Business Member	01/08/13 Appointed	Employment Policy Audit
B Tod	Staff Member	01/08/13 Appointed	Finance & Estates
R Llewellyn	Student Member	01/10/13 Appointed	Curriculum & Quality
R Thomas	Student Member	01/10/13 Appointed 08/06/14 Resigned	Curriculum & Quality
J Bonetto	Co-opted	01/08/13 Appointed	Audit
B Davies	Co-opted	01/08/13 Appointed	Curriculum & Quality
G Evans	Co-opted	01/08/13 Appointed	Employment Policy Audit
J Gilmore	Co-opted	01/08/13 Appointed	Finance & Estates
E J Hope	Co-opted	01/08/13 Appointed	Finance & Estates
G Williams	Co-opted	01/08/13 Appointed	Employment Policy Audit
P O'Donnell acts as Clerk to the Corporation.			

Corporate Governance Statement Incorporating the Statement of 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 2014 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 2014 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. 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.

Corporate Governance Statement Incorporating the Statement of 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 and the Welsh Government's auditors in their management letters and other reports.

The Principal 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 a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms, which are embedded within the departments and reinforced by its risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of 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 management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2014 meeting the Corporation carried out the annual assessment for the year ended 31 July 2014 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2014.

Based on the advice of the Audit Committee and the Principal, 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"*.

Governing Body's statement on the Corporation's regularity, propriety and compliance with Funding body terms and conditions of funding

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

We confirm, on behalf of the Corporation, that **to the best of its knowledge**, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Welsh Government's terms and conditions of funding under the College's funding agreement. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Welsh Government.

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.

Approved by order of the Members of the Corporation on 15 December 2014 and signed on its behalf by:

L James
Chair



J Evans
Principal



Income and Expenditure Account

	Notes	2013/14 £'000	2012/13 £'000
Income			
Funding body grants	2	36,044	36,146
Tuition fees and education contracts	3	2,891	2,781
Research grants and contracts	4	436	766
Other income	5/13	2,493	2,531
Endowment and investment income	6	59	51
Exceptional merger income	13	-	516
Total income		41,923	42,791
Expenditure			
Staff costs	7	28,423	29,115
Exceptional staff merger costs	13	1,108	970
Other operating expenses	9	9,408	9,250
Exceptional merger costs	13	70	313
Exceptional campus maintenance costs	13	240	-
Depreciation	14	3,713	3,478
Interest and other finance costs	10	451	552
Total expenditure		43,413	43,678
Deficit on continuing operations after depreciation of assets at valuation, but before exceptional items		(72)	(120)
Exceptional staff restructuring costs		(1,108)	(970)
Exceptional merger and other costs		(70)	(313)
Exceptional merger income		-	516
Exceptional campus maintenance		(240)	-
(Deficit) on continuing operations after depreciation of assets at valuation, and exceptional items but before disposal of assets		(1,490)	(887)
Profit on disposal of assets		1	-
(Deficit) on continuing operations after depreciation of assets at valuation		(1,489)	(887)
(Deficit) for the year retained within general reserves	12	(1,489)	(887)

The income and expenditure account is in respect of continuing activities.

Statement of Historical Cost Surpluses and Deficits

	Note	2013/14 £'000	2012/13 £'000
(Deficit) on continuing operations after disposal of assets		(1,489)	(887)
Difference between historical cost depreciation charge and the actual charge for the year calculated on the revalued amount	22	1,118	1,028
Realisation of property revaluation gains of previous years		-	1,688
Historical cost (deficit)/surplus for the year		(371)	1,829

Statement of Total Recognised Gains and Losses

	Note	2013/14 £'000	2012/13 £'000
(Deficit) on continuing operations after depreciation of assets at valuation and tax		(1,490)	(887)
Unrealised surplus on revaluation of fixed assets	22	10,741	7,389
Realised surplus on sale of assets		-	-
Actuarial gain in respect of pension scheme	30	4,170	2,066
Total recognised gains since last report		13,421	8,568

Reconciliation

Opening reserves	52,860	44,292
Total recognised gains relating to the year	13,421	8,568
Closing reserves	66,281	52,860

Balance Sheet as at 31 July

	Notes	2013/14 £'000	2012/13 £'000
Fixed assets			
Tangible assets	14	123,021	112,596
Total fixed assets		<u>123,021</u>	<u>112,596</u>
Current assets			
Stocks		2	9
Debtors	16	1,408	2,135
Investments	15	5,019	5,506
Cash at bank and in hand		7,216	5,624
Total current assets		<u>13,645</u>	<u>13,274</u>
Less: Creditors - amounts falling due within one year	17	<u>(2,929)</u>	<u>(3,248)</u>
Net current assets		10,716	10,026
Total assets less current liabilities		133,737	122,622
Less: Creditors - amounts falling due after more than one year	18	(3,231)	(3,529)
Less: Provisions for liabilities	20	<u>(2,061)</u>	<u>(1,763)</u>
Net assets excluding pension liability		<u>128,445</u>	<u>117,330</u>
Net pension liability	30	(15,198)	(18,538)
NET ASSETS		<u>113,247</u>	<u>98,792</u>
Deferred capital grants	21	<u>43,460</u>	<u>45,178</u>
Reserves			
Income and expenditure account excluding pension reserve	23	25,820	25,363
Pension reserve	23/30	<u>(15,198)</u>	<u>(18,538)</u>
Income and expenditure account including pension reserve	23	10,622	6,825
Revaluation reserve	22	59,165	46,789
Total reserves		<u>69,787</u>	<u>53,614</u>
TOTAL FUNDS		<u>113,247</u>	<u>98,792</u>

The financial statements on pages 20 to 46 were approved by the Corporation on 15 December 2014 and were signed on its behalf on that date by:


L. James
Chair

J Evans
Principal



Cash Flow Statement

	Note	2013/14 £'000	2012/13 £'000
Cash inflow from operating activities	24	2,064	1,335
Returns on investments and servicing of finance	25	(47)	(101)
Capital expenditure and financial investment	26	(630)	1,051
Management of liquid resources	27	487	(2004)
Financing	28	(282)	(465)
Inflow/(outflow) in cash in the year	29	1,592	(184)

Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash in the year		1,592	(184)
Cash inflow from new loans		(105)	-
Cash (inflow)/outflow from liquid resources		(487)	2,004
Cashflow from debt repayments		376	465
Movement in net funds in the year		1,376	2,285
Net funds at 1 August		7,213	4,928
Net funds at 31 July	29	8,589	7,213

Notes to the Financial Statements**1. Accounting Policies****Statement of accounting policies**

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP)*, the *Accounts Direction for 2013/14* financial statements and in accordance with applicable Accounting Standards.

On 1 August 2013, Ystrad Mynach College merged with Coleg Morgannwg. The merger was effected by the transfer of all of the assets and liabilities of Ystrad Mynach College to Coleg Morgannwg. Coleg Morgannwg then changed its name to Coleg y Cymoedd and Ystrad Mynach College was dissolved by the First Minister of the Welsh Government.

This transaction meets the criteria set out in 'FRS 6 – Merger Accounting' and has been accounted for as a merger rather than an acquisition. As a result, these financial statements represent the results of the College as if the merged activity had always been in existence. All comparative figures in the income and expenditure account, balance sheet and related notes have therefore been restated. In addition, an exercise has been undertaken to harmonise the accounting policies used by each legacy College and reflect these in this set of financial statements.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Going Concern

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

The College currently has £3.5m of loans outstanding with bankers on terms negotiated in 2010 and 2012. The terms of the existing agreement are for up to another 13 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

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

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

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

The recurrent grants from the WG represent the funding allocations attributable to the current financial year and are credited directly to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement against this planned activity is adjusted in-year and reflected in the level of recurrent grant recognised in the income and expenditure account.

Notes to the Financial Statements (continued)

Non-recurrent grants from the WG or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

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.

Exceptional 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 the merger process (including staff redundancies) and other large, non-recurring expenditures.

Post-retirement benefits

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

Contributions to 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 quinquennial valuations using a prospective benefit method. As stated in Note 30, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

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 and expenditure account 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.

Tangible fixed assets

Ystrad Mynach College and Coleg Morgannwg had differing accounting policies regarding the ongoing valuation of land and buildings. In accordance with the requirements of merger accounting, these policies have been harmonised within the comparatives of these financial statements. Land and buildings have been revalued on the basis of depreciated replacement cost with the associated credit to the revaluation reserve over the useful economic life of the associated assets.

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.

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.

Notes to the Financial Statements (continued)

Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic lives to the College of between 20 and 60 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic lives of between 20 and 60 years.

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 capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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.

Reductions in the value of previously revalued assets are taken through the revaluation reserve to the extent available, with any balance below historical costs being recognised in the income and expenditure account.

Revaluation

Coleg Morgannwg historically, on adoption of FRS 15, followed the transitional provision to retain the book value of land and buildings, which were last revalued in 1993 at the date of incorporation, but not to adopt a policy of revaluations of these properties in the future. These values were retained subject to the requirements to test assets for impairment, in accordance with FRS 11.

Ystrad Mynach College historically adopted a policy of revaluation of its land and buildings in accordance with FRS 15.

The entire estate of Coleg y Cymoedd was revalued during 2013/14 for inclusion in the financial statements at comparable values. It is not the College's intention to undertake revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period in which it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and ten years from incorporation and is now fully depreciated. All other equipment is depreciated 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 |

Notes to the Financial Statements (continued)

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 is carried out on an annual basis to assess whether impairment may have occurred. If this review indicates that impairment has occurred then a full impairment review is carried out.

Leased assets

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

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

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from WG capital equipment grants, the associated assets are designated as grant-funded assets.

Investments

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Stocks

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

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the 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 the income and expenditure account 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 Chapter 3 Part 11 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.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

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

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

Agency arrangements

The College acts as an agent in the collection and payment of Financial Contingency Funds. Related payments received from the Welsh Government and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 36, 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 two members of staff dedicated to the administration of Financial Contingency Fund applications and payments.

Notes to the Financial Statements (continued)

2. Funding body grants

	2013/14	2012/13
	£'000	£'000
Recurrent funding	27,440	27,876
Other recurrent funding	4,884	4,434
Release of WG capital grants	1,322	1,946
Work-based learning	2,398	1,890
Total	36,044	36,146

3. Tuition Fees and Education Contracts

	2013/14	2012/13
	£'000	£'000
EC (including home) tuition fees	725	738
Non-EC tuition fees	11	17
HE fees	619	657
Examination fees and expenses (non-EU community)	52	83
Total fees paid by or on behalf of individual students	1,407	1,495
Education contracts		
Higher Education income	480	382
Other contracts (including Local Education Authority)	1,004	904
Total	2,891	2,781

4. Research Grants and Contracts

	2013/14	2012/13
	£'000	£'000
European Commission	380	697
Research grants and contracts	-	1
Other grants and contracts	56	68
Total	436	766

The College is the lead partner in a consortium to deliver Teacher training and Essential Skills in the Workplace (formerly Basic Skills in the workplace). 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:

	2013/14	2012/13
	£'000	£'000
Income received from WEFO	659	358
Payments to other Partners	(450)	(297)
College Expenses	(41)	(23)
Total	168	38

Notes to the Financial Statements (continued)

5. Other Income

	2013/14 £'000	2012/13 £'000
Residencies, catering and conferences	873	841
Releases from deferred capital grants (Non-WG)	412	487
Other income-generating activities	275	375
Other income	933	828
Total	2,493	2,531

6. Endowment and Investment Income

	2013/14 £'000	2012/13 £'000
Interest receivable	59	51

7. Staff Costs

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

	2013/14 No.	2012/13 No.
Teaching staff	352	432
Non - teaching staff	419	402
	771	834

Staff costs for the above persons

	2013/14 £'000	2012/13 £'000
Wages and salaries	23,195	23,806
Social security costs	1,569	1,699
Other pension costs	3,659	3,568
Restructuring costs	-	42
Payroll sub total	28,423	29,115
Exceptional restructuring costs *	1,108	936
Pay costs relating to merger	-	34
Total staff costs	29,531	30,085

During the year a voluntary restructuring exercise took place, resulting in a release of 59 (2013:32) members of staff at a cost of £1,108k (2013: £936k).

Notes to the Financial Statements (continued)

The number of senior post-holders and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	2013/14 No.	2012/13 No.
£60,001 to £70,000	-	5
£70,001 to £80,000	3	2
£80,001 to £90,000	1	1
£90,001 to £100,000	2	3
£100,001 to £110,000	-	-
£110,001 to £120,000	-	-
£120,001 to £130,000	-	-
£130,001 to £140,000	1	-
£140,001 to £150,000	-	1
Total	7	12

A pay award of 1% was approved by the Corporation with effect from 1 August 2013 (2012; nil).

8. Emoluments of the Principal and Higher-paid Employees

Senior post-holders are defined as the Principal and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2013/14 No.	2012/13 No.
The number of senior post-holders, including the Principal	7	9

Senior post-holders' emoluments are made up as follows:

	2013/14 £	2012/13 £
Salaries	629,560	777,929
Benefits in kind	10,197	8,207
Pension contributions	85,028	107,745
Total emoluments	724,785	893,881

The above emoluments include amounts payable to the Principal(s) (who is/were also the highest-paid employee(s)) of:

	2013/14 £	2012/13 £
Salary	130,000	230,069
Benefits in kind	6,001	5,596
	136,001	235,665
Pension contributions	18,330	33,321
Total emoluments	154,331	268,986

The pension contributions in respect of the Principal and four of the six 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.

Note: the 2012/13 figure reflects the total emoluments paid to the Principals of both legacy colleges.

Notes to the Financial Statements (continued)

Compensation for loss of office

The aggregate amount of compensation paid to the Principal and any higher-paid employees in respect of loss of office was:

	2013/14 No. of Staff	2013/14 £	2012/13 No. of Staff	2012/13 £
Compensation paid to the former post-holders	-	-	5	278,043

The members of the Corporation (other than the Principal 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.

9. Other Operating Expenses

	2013/14 £'000	2012/13 £'000
Teaching costs	2,468	3,206
Non – teaching costs	4,584	3,134
Premises costs	2,356	2,910
Total	9,408	9,250

	2013/14 £'000	2012/13 £'000
Other operating expenses include:		
Auditors' remuneration		
- Financial statements audit	40	53
- Other services provided by the financial statements auditors	-	10
- Internal audit	30	46
- Other services provided by the internal auditors	9	-
Hire of other assets – operating leases	181	185

Cost in respect of overseas activities

The following costs were incurred during the financial year in respect of overseas activities:

	Travel and accommodation £'000	Subsistence and hospitality £'000	Number of visits
Senior post-holders	3	2	3
Other individuals	3	1	5

10. Interest and Other Finance Costs

	2013/14 £'000	2012/13 £'000
On bank loans, overdrafts and other loans		
Repayable within five years, by instalments	-	1
Repayable wholly or partly in more than five years	160	156
	160	157
Other interest	(2)	-
On finance leases	3	4
Pension finance costs (Note 30)	290	391
Total	451	552

Notes to the Financial Statements (continued)

11. Taxation

The members do not believe that the College was liable for any corporation tax arising from its activities during this year or the prior year period.

12. (Deficit) on Continuing Operations for the Year

The (deficit) on continuing operations for the year is made up as follows:

	2013/14 £'000	2012/13 £'000
College's (deficit) for the year	(1,489)	(887)
Total	(1,489)	(887)

13. Exceptional items

	2013/14 £'000	2012/13 £'000
Merger funding from Welsh Government	-	516
Staff restructuring costs	1,108	(970)
Non-pay merger costs	70	(313)
Campus maintenance costs	240	-
Net costs	1,418	(767)

14. Tangible Fixed Assets

	Freehold land and buildings £'000	Assets under construction £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2013	110,939	212	5,327	116,478
Additions	410	67	170	647
Surplus on revaluation	9,715	-	-	9,715
Disposals	-	-	(12)	(12)
At 31 July 2014	121,064	279	5,485	126,828
Accumulated depreciation				
At 1 August 2013	(829)	-	(3,053)	(3,882)
Charge for the year	(2,947)	-	(766)	(3,713)
Revaluation	3,776	-	-	3,776
Eliminated in respect of disposals	-	-	12	12
At 31 July 2014	-	-	(3,807)	(3,807)
Net book value at 31 July 2014	121,064	279	1,678	123,021
Net book value at 31 July 2013	110,110	212	2,274	112,596
Inherited	20,867	-	-	20,867
Financed by capital grant	66,276	-	90	66,366
Other	33,921	279	1,588	35,788
Net book value at 31 July 2014	121,064	279	1,678	123,021

Land and buildings were valued in 2014 at depreciated replacement cost by Alder King Property Consultants LLP, 18 Park Place, Cardiff, CF10 3DQ, Chris Clarke Surveyors Ltd, 51 The Parade, Cardiff, CF24 3AB and DVS Property Specialists, Valuation Office Agency, 4th Floor, Wingate House, 93 – 107 Shaftsbury Avenue, London, W1D 5BU.

Notes to the Financial Statements (continued)

Land and buildings with a net book value of £20,866,957 were inherited from Local Education Authority sources. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the WG, to surrender the proceeds.

The net book value of tangible fixed assets (equipment) includes an amount of £5,067 (2012/13: £25,659) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £20,592 (2012/13: £24,716).

15. Investments

	2013/14 £'000	2012/13 £'000
Current asset investments		
Investments – short-term deposits	5,019	5,506

16. Debtors

	2013/14 £'000	2012/13 £'000
Trade debtors	568	763
Prepayments and accrued income	840	1,372
	1,408	2,135

17. Creditors: Amounts Falling Due Within One Year

	2013/14 £'000	2012/13 £'000
Bank loans and overdrafts	377	367
Other Loans	23	7
Obligations under finance leases	14	14
Trade creditors	226	754
Other taxation and social security	508	335
Accruals / Payments in advance	1,781	1,771
	2,929	3,248

18. Creditors: Amounts Falling Due After More Than One Year

	2013/14 £'000	2012/13 £'000
Bank loans	3,115	3,474
Obligations under finance leases	11	25
Other Loans	105	30
	3,231	3,529

Notes to the Financial Statements (continued)

19. Borrowings

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2013/14 £'000	2012/13 £'000
In one year or less	400	374
Between one and two years	384	367
Between two and five years	1,145	1,099
In five years or more	1,691	2,038
	3,620	3,878

During the financial year ending 31 July 2014, the College acquired 2 loans (£81k and £24k) provided by Salix Finance Ltd; these are interest free loans for purchase of energy saving equipment.

The Barclays bank loan at 4.75%, repayable by quarterly instalments falling due between 1 August 2010 and 30 November 2020, totalling £1.5k is secured on a portion of the freehold land and buildings of the College.

The Lloyds bank loan at 3.597%, repayable by quarterly instalments falling due between 1st August 2012 and 31st December 2027 totalling £2,915k, is unsecured.

Third party loans provided by Salix Finance Ltd are interest-free and repayable by half-yearly instalments falling due between 1st August 2012 and 1st October 2020 totalling £150k, are also unsecured.

(b) Finance leases

The net finance lease obligations to which the College is committed are:

	2013/14 £'000	2012/13 £'000
In one year or less	14	14
Between one and two years	11	14
Between two and five years	-	11
	25	39

Finance lease obligations are secured on the assets to which they relate.

20. Provisions for Liabilities

	Campus maintenance £'000	Restructuring £'000	PTA Claw back £'000	Enhanced pensions £'000	Total £'000
At 1 August 2013	-	45	172	1,546	1,763
Additional provision/(release) in year	240	112	(47)	(7)	298
At 31 July 2014	240	157	125	1,539	2,061

The enhanced pensions provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with the LSC Circular 05/02. The Pathways to Apprenticeship (PTA) clawback provision relates to funding targets not being achieved and therefore clawback from the Welsh Government is provided for in accordance with funding conditions.

The restructuring provision relates to the current European Social Fund (ESF) projects, which is expected to be utilised in 2014/15 when the projects are due to finish. It also includes pension and redundancy costs resulting from the 2014 voluntary restructuring process.

Notes to the Financial Statements (continued)

The campus maintenance provision relates to the removal/containment of asbestos found on various campus sites, the majority of which is found at the Ystrad Mynach campus.

21. Deferred Capital Grants

	WG £'000	Other grants £'000	Total £'000
At 1 August 2013	34,424	10,753	45,178
Cash Received	-	16	16
Released to Income and Expenditure Account	(1,322)	(412)	(1,734)
Total	33,103	10,357	43,460

22. Revaluation Reserve

	2013/14 £'000	2012/13 £'000
At 1 August	46,789	41,362
Revaluations in the year (as per note 14)	13,491	8,143
Transfer from revaluation reserve to general:		
Disposals	-	(1,688)
Depreciation on revalued assets	(1,115)	(1,028)
At 31 July	59,165	46,789

23. Movement on General Reserves

	2013/14 £'000	2012/13 £'000
Income and expenditure account reserve		
At 1 August	6,825	2,930
(Deficit) retained for the year	(1,489)	(887)
Transfer from revaluation reserve	1,118	2,716
Actuarial gain in respect of pension scheme	4,170	2,066
At 31 July	10,624	6,825
	£'000	£'000
Balance represented by:		
Pension reserve	(15,198)	(18,538)
Income and expenditure account reserve excluding pension reserve	25,820	25,363
At 31 July	10,622	6,825

Notes to the Financial Statements (continued)

24. Reconciliation of Operating (Deficit)/Surplus to Net Cash Inflow from Operating Activities

	2013/14 £'000	2012/13 £'000
(Deficit) on continuing operations after depreciation of assets at valuation	(1,489)	(887)
Depreciation (Note 14)	3,713	3,478
Deferred capital grants released to income (Note 21)	(1,734)	(2,399)
(Profit) on disposal of tangible fixed assets (Note 9)	(1)	7
Interest payable (Note 10)	161	161
Interest receivable (Note 6)	(59)	(51)
FRS17 pension cost less contributions payable	540	409
FRS17 pension finance cost	290	391
Decrease in stocks	7	3
Decrease/(increase) in debtors (Note 16)	680	(596)
(Decrease)/increase in trade creditors (Note 17)	(342)	614
Increase in provisions (Note 20)	298	205
Net cash inflow from operating activities	2,064	1,335

25. Returns on Investments and Servicing of Finance

	2013/14 £'000	2012/13 £'000
Other interest received	106	60
Interest paid (Note 10)	(150)	(157)
Interest element of finance lease rental payments (Note 10)	(3)	(4)
Net cash outflow from returns on investments and servicing of finance	(47)	(101)

26. Capital Expenditure and Financial Investment

	2013/14 £'000	2012/13 £'000
Purchase of tangible fixed assets (Note 14)	(647)	(1,406)
Sale of tangible fixed assets	1	2,277
Deferred capital grants received (Note 21)	16	180
Net cash (outflow)/inflow from capital expenditure and financial investment	(630)	1,051

27. Management of Liquid Resources

	2013/14 £'000	2012/13 £'000
Purchase of investments (Note 15)	487	(2,004)
Net cash inflow/(outflow) from management of liquid resources	487	(2,004)

Notes to the Financial Statements (continued)

28. Financing

	2013/14 £'000	2012/13 £'000
Debt due beyond a year		
New unsecured loans/finance leases	105	-
Repayment of amounts borrowed	(373)	(449)
Capital element of finance lease rental payments	(14)	(16)
Net cash outflow from financing	(282)	(465)

29. Analysis of Changes in Net Funds

	At August 1 st 2013 £'000	Cash flows £'000	At 31 st July 2014 £'000
Cash in hand and at bank	5,624	1,592	7,216
Debt due within one year	(375)	(25)	(400)
Debt due after one year	(3,503)	282	(3,221)
Finance leases	(39)	14	(25)
Current asset investments	5,506	(487)	5,019
Total	7,213	1,376	8,589

30. Pension and Similar Obligations

The College's employees belong to two principal pension schemes: 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 Taf County Borough Council. Both are defined benefit schemes.

Total pension cost for the year

	2013/14 £'000	2012/13 £'000
Teachers' Pension Scheme: contributions paid	1,764	1,855
Local Government Pension Scheme:		
Contributions paid	1,244	1,148
FRS 17 charge	540	409
Charge to the income and expenditure account (staff costs)	3,548	3,412
Enhanced pension charge to I&E account (staff costs)	111	156
Total pension cost for year	3,659	3,568

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 2004 and the LGPS at 31 March 2013.

Contributions amounting to Nil (2013: £175K were payable to the schemes at 31 July and are included within creditors).

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

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

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. The last formal actuarial valuation undertaken for the Teachers' Pension Scheme was completed in 2004. Consequently, a formal actuarial valuation would have been due by 2008. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

Approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate (SCR) is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

As noted, the last formal valuation of the TPS related to the period 1 April 2001 – 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

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

From 1 April 2012 to 31 March 2014, the employee contribution rate ranged between 6.4% and 11.2% depending on a member's Full Time Equivalent salary, with the employer contributions set at 14.1%. With effect from 1 April 2014, the employee contribution rates were increased and ranged between 6.4% and 12.4%, depending on a member's full time equivalent salary, with employer contributions set to increase to 16.4% from September 2015.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

The Proposed Final Agreement can be found at:

<http://media.education.gov.uk/assets/files/ppt/t/tps%20proposed%20final%20agreement.pdf>

The pension costs paid to TPS in the year amounted to £1,764k (2013: £1,456k).

FRS 17

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, 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 2014 were £1691k (2013: £1568k), of which employer's contributions totalled £1244 (2013: £1129k) and employees' contributions totalled £447k (2013: £439k). The agreed contribution rates for future years are 13.7% 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 13.7% (previously 12.3%), which is consistent for the next three years, 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 2013 to July 2014 of £149k (2012/13: £278k), which is included in the total employer contributions figures above.

FRS 17***Principal actuarial assumptions:***

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2014 by a qualified independent actuary.

The disclosures below relate to the funded liabilities within the Rhondda Cynon Taf County Borough Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS"). The funded nature of the LGPS requires Coleg Y Cymoedd and its employees to pay contributions into the Fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The duration of the liabilities is an indicator of the weighted average time until benefits payments are made. The duration of the Employer's liabilities is 22.1 years. This is the weighted average of Coleg Morgannwg and Ystrad Mynach College calculated on membership data provided for the 2013 valuation.

In accordance with Financial Reporting Standards, disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

Notes to the Financial Statements (continued)**Contributions for the year ending 31 July 2015**

The Employer's regular contributions to the Fund for the accounting period ending 31 July 2015 are estimated to be £1.18m. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the fund over the next accounting period.

Assumptions

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out overleaf.

Principal financial assumptions (% per annum)

	31 July 2014	31 July 2013	31 July 2012
Discount rate	4.1	4.6	4.2
RPI inflation	3.2	3.7	3.1
CPI inflation	2.2	2.8	2.1
Rate of increase to pensions in payment	2.2	2.8	2.1
Rate of revaluation of pension accounts	2.2	N/A	N/A
Rate of increase to deferred pensions	2.2	2.8	2.1
Rate of general increase in salaries	3.7	4.7	4.6

* The assumptions for 31 July 2012 and 2013 are a weighted average of the assumptions used for Coleg Morgannwg and Ystyd Mynach collage at that date.

Mortality assumptions

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 resulting from these mortality assumptions are shown below.

Assumed life expectancy at age 65	31 July 2014	31 July 2013
Males		
Member currently aged 65	22.9	23.3
Member currently aged 45	25.1	25.2
Female		
Member currently aged 65	25.8	24.7
Member currently aged 45	28.2	26.6

Expected return on assets

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return adopted by the employer for the purposes of FRS17.

	Long-term expected rate of return at 31 July 2014 (% pa) *	Asset split at 31 July 2014 (%)	Long-term expected rate of return at 31 July 2013 (% pa) *	Asset split at 31 July 2013 (%)
Equities	7.5	70.7	7.8	68.8
Property	6.8	5.9	7.3	5.9
Government bonds	3.2	7.8	3.3	10.6
Corporate bonds	3.7	11.7	4.0	11.4
Cash	1.1	3.9	0.9	3.3
Total	6.4	100.0	6.6	100.0

Notes to the Financial Statements (continued)

- * The overall expected rate of return on Fund assets is a weighted average of the individual expected rates of return on each asset class, and is shown in the bottom row of the above table.

Coleg Y Cymoedd employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at the accounting date.

Reconciliation of funded status to balance sheet

	Value as at 31 July 2014 £'000	Value as at 31 July 2013 £'000	Value as at 31 July 2012 £'000	Value as at 31 July 2011 £'000	Value as at 31 July 2010 £'000
Fair value of assets	30,050	28,511	23,075	21,408	18,047
Present value of funded liabilities	(45,250)	(47,049)	(42,878)	(36,152)	(32,240)
Pension liability recognised in the balance sheet	(15,200)	(18,538)	(19,803)	(14,744)	(14,193)

Analysis of the income and expenditure charge

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Current service cost	1,680	1,538
Past service cost	30	-
Interest cost	2,160	1,799
Expected return on assets	(1,870)	(1,408)
Expense recognised	2,000	1,929

Changes to the present value of liabilities during the accounting period

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Opening present value of liabilities	47,050	42,879
Current service cost	1,680	1,538
Interest cost	2,160	1,799
Contributions by participants	450	442
Actuarial gains on liabilities *	(5,050)	1,019
Net benefits paid out #	(1,070)	(627)
Past service cost	30	-
Closing present value of liabilities	45,250	47,050

* Includes changes to the actuarial assumptions.

Includes an approximate allowance for the expected cost of death in service lump sums.

Notes to the Financial Statements (continued)

Changes to the fair value of assets during the accounting period

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Opening fair value of assets	28,510	23,074
Expected return on assets	1,870	1,408
Actuarial (losses)/gains on assets	(880)	3,084
Contributions by the employer	1,170	1,129
Contributions by participants	450	442
Net benefits paid out # (see note above)	(1,070)	(627)
Closing fair value of assets	30,050	28,510

Actual return on assets

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Expected return on assets	1,870	1,408
Actuarial (loss)/gain on assets	(880)	3,084
Actual return on assets	990	4,492

Analysis of amount recognised in STRGL

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000	Year ended 31 July 2012 £'000
Total gains/(losses) in STRGL	4,170	2,065	(4,365)

History of experience gains and losses

	Year ended 31 July 2014	Year ended 31 July 2013	Year ended 31 July 2012	Year ended 31 July 2011	Year ended 31 July 2010
Experience gains/(losses) on assets					
- Amount (£'000)	(880)	3,084	(593)	1,217	1,452
Experience gains/(losses) on liabilities #					
- Amount (£'000)	1,270	(13)	(186)	1,049	239

This item consists of gains/(losses) in respect of liability experience only and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

Notes to the Financial Statements (continued)

31. Post Balance Sheet Events

Since the end of the financial year, the College management are not aware of any other matter or circumstance not otherwise dealt with in the Annual Financial Statements, that has significantly or may significantly affect the operations of the College, the results of those operations, or the state of affairs of the College in subsequent years, with the exception of the following, the financial effects of which have been provided for in the 31 July 2014 Annual Financial Statements:

Estate Related Issue

At the request of the College, Santia Asbestos Management Ltd were commissioned to prepare an asbestos investigation report following concerns raised over asbestos issues at the Ystrad Mynach campus. The report concluded that there were potentially breaches to UK legislation and guidance. Following the report the College informed the HSE of the findings and have complied with all advice and guidance received from Santia who are now acting as consultants to the College.

The College has taken the decision to move staff and students out of S block and rehouse them in modern temporary accommodation within the campus. It is unlikely this building will be used again and outline plans have been produced regarding refurbishing or demolishing the building, and replacing it with something more appropriate to the College's curriculum demands. The Finance & Estates Committee have met to consider alternatives and have reported back to the full Governing Body with their recommendation.

In the meantime, the College has commissioned Santia to undertake a full asbestos survey of the whole estate, which will cost approximately £56k.

32. Capital Commitments

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Commitments contracted for at 31 July	48	485
Authorised but not contracted at 31 July	4,084	-

33. Financial Commitments

At 31 July 2014 and 2013 the College had annual commitments under non-cancellable operating leases as follows:

	2013/2014 £'000	2012/13 £'000
Land and buildings		
Expiring within one year	-	13
Expiring within two to five years inclusive	101	118
Expiring in over five years	33	33
	134	164
	£'000	£'000
Other		
Expiring within one year	148	147
Expiring within two to five years inclusive	33	30
Expiring in over five years	-	8
	181	185

Notes to the Financial Statements (continued)**34. Contingent Assets and Liabilities****Contingent assets**

At 31 July 2013 the College is still seeking to recover VAT from HMRC valued at £489K. This has arisen from a number of lease and leaseback arrangements involving property transactions. The College has received correspondence from its VAT consultants, Deloitte LLP, confirming that they anticipate a repayment in the region of £489k relating to VAT incurred on property.

These refunds have not yet been received as a final decision from HMRC regarding the query is currently outstanding. However, the College's management is confident it will succeed in recovering a major part of this money based on past advice received from Deloitte LLP.

As the timing of this receipt is uncertain and outside the College's direct control, this expected balance has not been included in the College's short and medium term financial planning.

Contingent liabilities**Grant Income**

The College has received EU grant income in respect of projects approved by the Wales European Funding Office (WEFO). EU Commission auditors have undertaken a review of WEFO's project approval procedures including one project delivered by the College and indicated that the College's project did not comply with EU project approval procedures. The College is satisfied that they have delivered the project in accordance with the approved project specification.

However, should WEFO be found not to have complied with these procedures, the College may have to repay the full grant income of £350k (2012 £350k). The College is in discussion with WEFO on this matter but has received no further indication of whether grant will be repayable, or the sums of grant that may be involved.

35. 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 Accounts (continued)

36. Financial Contingency Fund

	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Balance brought forward	43,270	34,472
Unpresented cheque	8,872	224
WG grant	936,037	934,247
Interest earned	570	125
	988,749	969,068
Disbursed to students		
Childcare	564,870	566,050
Books and equipment	16,546	8,133
Tuition fees	101,032	45,150
Transport	145,678	171,210
Accommodation	1,200	468
Other	117,791	106,560
Total disbursed to students	947,117	897,571
Administration costs	28,059	28,028
Bank charges	111	199
Total disbursements	975,287	925,798
Balance unspent at 31 July	13,462	43,270

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.