



Report and Financial Statements

Year ended 31 July 2015

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Operating and Financial Review

The members present their report and audited financial statements for the year ended 31 July 2015.

Legal status

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

Public Benefit

Coleg y Cymoedd is an exempt charity under the Charities Act 2001 and is regulated by the Welsh Government. The members of the Corporation Board, who are trustees of the charity, are disclosed on page 13.

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

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

- High quality education
- Widening participation and tackling social exclusion
- Good outcomes and progression rates for students
- Effective learner support, including LLDD
- Links with employers, industry and higher education.

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.

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.

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.

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

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

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.

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.

Operating and Financial Review (continued)

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.

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.

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.

The year under review

2014/15 was the second year of operations for Coleg y Cymoedd, following the merger in August 2013 of Coleg Morgannwg and Ystrad Mynach College.

Significant changes included the first year of a new academic management structure, which involved appointing Directors of Faculty and Heads of School with management responsibility across the whole College. It was also the first year for the sector with a new planning and funding regime and a new structure (Learning Area Programmes) for the curriculum.

For Coleg y Cymoedd 2014/15 has been a very challenging year in many respects. The implementation of new key systems such as Finance and MIS has been a huge learning curve for staff and in many respects the systems have to go through a period of adaption and enhancement in order to return the College to the position where systems are fully supporting operations. Significant time has been spent working with external partners to smooth this process and there are early signs of progress but still some work to do.

Other significant issues were:

- a reduction in core funding from £29.4m to £27.4m, which is a 4% decrease
- a major issue with previously unreported asbestos as the Ystrad Mynach campus
- planned student numbers failed to materialise and this left a shortfall of around £1m of activity.

In relation to the reduction in core funding the College reduced its workforce by 42.85 FTE and were able to save £1.4m in subsequent years.

The Governing Body agreed to a large scale programme for the removal of asbestos, which would cost in the region of £1.9m.

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. However the DfES did agree to vire £1.2m of funding from recurrent funding to support the costs of dealing with the asbestos removal, which was unforeseen at the time of the merger.

This agreement meant that there was no in-year clawback of funding as a result of the shortfall in student numbers and a new plan was put in place to ensure that planning of student numbers for 2015/16 would be more robust and ensure that targets were met.

Financial objectives and review

Despite the continued tough financial climate, 2014/15 saw the College deliver an underlying operating surplus before exceptional items of £1.5m. This shows that the College's careful financial management has ensured it can operate in a way that ensures learners and provision is a key consideration, whilst still ensuring financial probity.

The College is aware of the need to grow and increase the diversification of its income base and rely less on Welsh Government grant funding, however this has been more challenging in a year where new structures are settling and new managers are focusing on operating across a wider geographical area. That said some good contracts were obtained in Vietnam, China and India by the International team and the income from premises rental showed a modest increase.

Operating and Financial Review (continued)

Discussions with the University of South Wales have been ongoing to establish opportunities to increase HE activity and also to transfer a Foundation Arts programme to the College in 2016/17. These plans should increase income and hopefully provide the necessary diversification of the income base.

Summary results for the year

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

	Budget 2014/2015 £'000	Actual 2013/2014 £'000	Actual 2014/2015 £'000
Income	40,478	41,923	40,855
Expenditure	40,367	43,413	42,181
Surplus/(Deficit) before Exceptional Items	111	(72)	1,545
Operating Surplus/(Deficit)	111	(1,489)	(1,493)
Historical Cost Surplus/(Deficit)	752	(371)	(36)

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

2014/15 saw the College continue to develop the Estate for the benefit of the learner through:

- obtaining grant funding for 50% of a new £22m campus at Aberdare, which will begin on site in Spring 2016;
- the completion of a new £2.2m Motor Vehicle training and assessment centre at the Ystrad Mynach campus for students commencing September 2015;
- the completion of a new £3.08m Railway Training centre at the Nantgarw campus for students commencing September 2015;
- the commencement of a 2-year asbestos removal programme at the Ystrad Mynach Campus;
- vacating the Rhymney campus and terminating the lease;
- a number of minor works projects across all campuses to improve the learning environment.

During 2014/15 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 and a full review of the infrastructure will take place in the new academic year.

External borrowing

The levels of external borrowing remain relatively low as the College has reduced them during year. No new borrowing took place in 2014-2015 other than interest free loans from Salix used to fund energy efficient equipment upgrading. By the end of July 2015 bank borrowing was £3.27m compared to £3.62m in 2013/14.

Cash flow

Cash flow remains healthy but will of course decrease significantly over the next two years as reserves are spent to support the ongoing capital programme. Cash forecasting has taken place to ensure that the loan for the Aberdare Campus is in place at the appropriate time.

Principal risks and uncertainties

The College operates a robust system of risk management throughout the organisation to protect its reputation and assets. A Register of Strategic Risk is maintained at the College which is reviewed regularly throughout the year by Senior Leadership Team (SLT), the Corporation Board and its Committees. The 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 current economic outlook appears uncertain for the whole FE sector. The 2015/16 budget has been agreed and scenario planning for 2016/17 started in November 2015.

Operating and Financial Review (continued)

Maintaining financial viability and returning to operating surpluses are key to the success of any college and the future planning will be based on the need to budget for operating surpluses that support the future plans.

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 2015.

The number of days taken to pay bills in the current financial year was 25 days (2014: 27 days).

Liquidity

Liquidity as measured by the Current Ratio decreased to 4.29 in 2014/15 compared to 4.66 in 2013/14. This ratio is strong and considerably higher than the Welsh average, which is normally below 2.3 according to Welsh Government statistics. The Days of Net Liquid Assets Ratio reveals 88 days compared to 103 days in 2013/14. The sector estimated range for 2014/15 is between 8 - 98 days.

Treasury policies and objectives

Treasury management is the management of the College's cash flow, 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 Welsh Government. All other borrowing requires the authorisation of the College and shall comply with the requirements of the Financial Memorandum of the Welsh Government.

Post balance sheet events

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

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

Operating and Financial Review (continued)

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.

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

	2014/15	2013/14	2012/13
Electricity consumption (KWh)	3,750,734	3,850,287	4,049,367
Reduction/(increase) year on year	2.6%	4.9%	n/a
Kg CO2	2,040,399	2,094,556	2,202,856
Gas consumption (KWh)	5,424,536	4,448,415	5,989,455
Reduction/(increase) year on year	(21.9%)	27.7%	n/a
Kg CO2	998,115	818,508	1,102,060
Gas & electric KWh/m2 floor area	158	144	174
Water consumption M3	19,560	20,578	26,156
Water consumption m3/m2 floor area	0.33	0.36	0.45

Operating and Financial Review (continued)

Financial year 2014-2015 energy use

Degree day is a significant factor for year on year energy comparisons and needs to be taken into consideration when comparing the headline results, winter 2013 extended 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 spring 2014 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). Winter 2014/15 however, the mean temperature was slightly above average for December, but near average for January and February, with anomalies of +0.5°C, +0.1°C and -0.1°C respectively.

The UK mean temperature for spring 2015 was close to average. A near-average March (anomaly +0.1°C) was followed by a rather warm April (+0.5°C) and a cooler than average May (-0.8°C). Maximum temperatures were well above normal in April but rather suppressed during May. This background accounts for the significant differences in the gas consumption figures between the three comparison years.

There was a number of operational issues at the Taff Ely Learning Campus with the biomass boiler which accounts for an increase in consumption of gas. There has also been an issue with the boiler controls in Nantgarw A block.

Professional advisers

Bankers:

Barclays Bank Plc
PO Box 41
The Twyn
Caerphilly
CF83 1YJ

Lloyds TSB
Market Square
Pontypridd
CF37 2TF

Allied Irish Bank (GB)
2 Callaghan Square
Cardiff
CF10 5AZ

Bank of Scotland Plc
One Kingsway
Cardiff
CF10 3YB

Independent Auditors:

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

Internal Auditors:

Deloitte LLP
5 Callaghan Square
Cardiff
CF10 5BT

Solicitors:

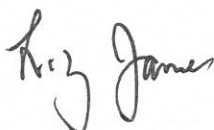
Blake Morgan
Bradley Court
Park Place
Cardiff
CF10 3DP

Capital Law
Capital Building
Tyndall Street
Cardiff
CF10 4AZ

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 14th December 2015 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 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction for 2014/15 issued by the Welsh Government, 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 also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by the WG and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the WG are used only in accordance with the Financial Memorandum with the WG and any other conditions that 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 14 December 2015 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 2015, 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 2015;
- 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.

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

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

21 December 2015

- (a) 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.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Statement of Corporate Governance and 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 2015. 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, during the year ending 31 July 2015, is set out on page 13. 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 Governance Officer to the Corporation maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

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

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

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

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

Statement of Corporate Governance and 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.

Statement of Corporate Governance and 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.

Details of remuneration for the year ended 31 July 2015 is set out in note 8 to the financial statements.

College Committees

The College has a Strategic Leadership 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.

Statement of Corporate Governance and 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 30/04/15 Resigned	
C Connor	Co-opted to Board	01/10/13 Appointed 31/07/15 Resigned	Curriculum & Quality
P Cooper	Business Member	01/08/13 Appointed	Finance & Estates
Cllr W David	Local Authority Member	01/06/14 Appointed 17/11/14 Resigned	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
M Harding	Community Member	01/08/13 Appointed	Curriculum & Quality Audit
B Hunt	Staff Member	01/08/13 Appointed 31/10/14 Resigned	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	01/09/14 Appointed 01/05/15 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 31/07/15 Resigned	Curriculum & Quality
J Bonetto	Co-opted	01/08/13 Appointed	Audit
B Davies	Co-opted	01/08/13 Appointed 31/07/15 Resigned	Curriculum & Quality
G Evans	Co-opted	01/08/13 Appointed 31/07/15 Resigned	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 Governance Officer to the Corporation.			

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

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2015 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 2015 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.

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

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- Comments made by the College's financial statements auditors 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 November 2015 meeting the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2015.

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

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 14 December 2015 and signed on its behalf by:

L James
Chair



J Evans
Principal



Income and Expenditure Account for the year ended 31 July 2015

	Note	2014/15 £'000	2013/14 £'000
Income			
Funding body grants	2	35,286	36,044
Tuition fees and education contracts	3	2,753	2,891
Research grants and contracts	4	270	436
Other income	5	2,437	2,493
Endowment and investment income	6	109	59
Total income		40,855	41,923
Expenditure			
Staff costs	7	27,003	28,423
Exceptional staff restructuring costs	13	1,073	1,108
Other operating expenses	9	8,597	9,408
Exceptional merger costs	13	72	70
Exceptional campus maintenance costs	13	1,726	240
Depreciation	14	3,577	3,713
Interest and other finance costs	10	133	451
Total expenditure		42,181	43,413
Surplus / (deficit) before exceptional items		1,545	(72)
Exceptional staff restructuring costs	13	(1,073)	(1,108)
Exceptional merger and other costs	13	(72)	(70)
Exceptional campus maintenance	13	(1,726)	(240)
Deficit on continuing operations after depreciation of assets at valuation, and exceptional items but before disposal of assets		(1,326)	(1,490)
(Loss) / Profit on disposal of fixed assets		(167)	1
Deficit on continuing operations after depreciation of assets at valuation		(1,493)	(1,489)
Deficit for the year retained within general reserves	12	(1,493)	(1,489)

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

Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2015

	Note	2014/15 £'000	2013/14 £'000
Deficit on continuing operations after disposal of assets		(1,493)	(1,489)
Difference between historical cost depreciation charge and the actual charge for the year calculated on the revalued amount	22	1,457	1,118
Realisation of property revaluation gains of previous years		-	-
Historical cost deficit for the year		(36)	(371)

Statement of Total Recognised Gains and Losses for the year ended 31 July 2015

	Note	2014/15 £'000	2013/14 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax		(1493)	(1,490)
Unrealised surplus on revaluation of fixed assets	22	989	10,741
Realised surplus on sale of assets		-	-
Actuarial (loss) / gain in respect of pension scheme	30	(2,450)	4,170
Total recognised (losses) / gains since last report		(2,954)	13,421
Reconciliation			
Opening reserves		69,787	53,614
Total recognised (losses) / gains relating to the year		(2,954)	13,421
Closing reserves		66,833	69,787

Balance Sheet as at 31 July 2015

	Note(s)	2014/15 £'000	2013/14 £'000
Fixed assets			
Tangible assets	14	125,095	123,021
Total fixed assets		<u>125,095</u>	<u>123,021</u>
Current assets			
Stocks		-	2
Debtors	16	2,242	1,408
Investments	15	5,027	5,019
Cash at bank and in hand		5,190	7,216
Total current assets		<u>12,459</u>	<u>13,645</u>
Less: Creditors - amounts falling due within one year	17	<u>(2,906)</u>	<u>(2,929)</u>
Net current assets		9,553	10,716
Total assets less current liabilities		134,648	133,737
Less: Creditors - amounts falling due after more than one year	18	(2,866)	(3,231)
Less: Provisions for liabilities	20	(3,125)	(2,061)
Net assets excluding pension liability		<u>128,657</u>	<u>128,445</u>
Net pension liability	30	(17,888)	(15,198)
NET ASSETS INCLUDING PENSION LIABILITY		<u>110,769</u>	<u>113,247</u>
Deferred capital grants	21	<u>43,936</u>	<u>43,460</u>
Reserves			
Income and expenditure account excluding pension reserve	23	26,024	25,820
Pension reserve	23/30	<u>(17,888)</u>	<u>(15,198)</u>
Income and expenditure account including pension reserve	23	8,136	10,622
Revaluation reserve	22	58,697	59,165
Total reserves		<u>66,833</u>	<u>69,787</u>
TOTAL FUNDS		<u>110,769</u>	<u>113,247</u>

The financial statements on pages 16 to 41 were approved by the Corporation on 14 December 2015 and were signed on its behalf on that date by:

L James
Chair

J Evans
Principal

Cash Flow Statement for the year ended 31 July 2015

	Note	2014/15 £'000	2013/14 £'000
Cash inflow from operating activities	24	1,326	2,064
Returns on investments and servicing of finance	25	(68)	(47)
Capital expenditure and financial investment	26	(2,916)	(630)
Management of liquid resources	27	(8)	487
Financing	28	(360)	(282)
(Outflow) / inflow in cash in the year	29	(2,026)	1,592

Reconciliation of net cash flow to movement in net funds

(Decrease) / increase in cash in the year		(2,026)	1,592
Cash inflow from new loans		(39)	(105)
Cash outflow / (inflow) from liquid resources		8	(487)
Cash flow from debt repayments		402	376
Movement in net funds in the year		(1,655)	1,376
Net funds at 1 August		8,589	7,213
Net funds at 31 July	29	6,934	8,589

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 2014/15* financial statements and in accordance with applicable Accounting Standards in the United Kingdom.

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 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. The transaction was accounted for as a merger under FRS 6.

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 cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £3.2m of loans outstanding with bankers on terms negotiated in 2010 and 2012. The terms of the existing agreement are for up to another 12 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

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.

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.

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.

Income from short-term deposits is recognised in the period in the period in which it is earned.

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

Notes to the Financial Statements (continued)

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.

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. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic lives.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred 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

Notes to the Financial Statements (continued)

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 and the land on the former Coleg Morgannwg campuses were revalued in 2014/15, 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 |

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

Notes to the Financial Statements (continued)

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.

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

	2014/15 £'000	2013/14 £'000
Core Recurrent funding	29,423	27,440
Other recurrent funding	2,570	4,884
Release of WG capital grants (note 21)	1,120	1,322
Work-based learning	2,173	2,398
Total	35,286	36,044

3. Tuition Fees and Education Contracts

	2014/15 £'000	2013/14 £'000
EC (including home) tuition fees	653	725
Non-EC tuition fees	-	11
HE fees	829	619
Examination fees and expenses (non-EU community)	126	52
Total fees paid by or on behalf of individual students	1,608	1,407
Education contracts		
Higher Education income	456	480
Other contracts (including Local Education Authority)	689	1,004
Total	2,753	2,891

4. Research Grants and Contracts

	2014/15 £'000	2013/14 £'000
European Commission grants	197	380
Research grants and contracts	-	-
Other grants and contracts	73	56
Total	270	436

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:

	2014/15 £'000	2013/14 £'000
Income received from WEFO	693	659
Payments to other Partners	(544)	(450)
College Expenses	(14)	(41)
Total	135	168

Notes to the Financial Statements (continued)

5. Other Income

	2014/15 £'000	2013/14 £'000
Residencies, catering and conferences	877	873
Releases from deferred capital grants (Non-WG)	317	412
Other income-generating activities	287	275
Other income	956	933
Total	2,437	2,493

6. Endowment and Investment Income

	2014/15 £'000	2013/14 £'000
Interest receivable	79	59
Pension Finance income (Note 30)	30	-
Total	109	59

7. Staff Costs

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

	2014/15 No.	2013/14 Restated No.
Teaching staff	350	386
Non - teaching staff	362	385
	712	771

Staff costs for the above persons

	2014/15 £'000	2013/14 £'000
Wages and salaries	22,174	23,195
Social security costs	1,528	1,569
Other pension costs	3,301	3,659
Payroll sub total	27,003	28,423
Exceptional restructuring costs *	1,073	1,108
Total staff costs	28,076	29,531

*During the year a voluntary restructuring exercise took place, resulting in a release of 44 (2014:59) members of staff at a cost of £1,073 (2014: £1,108k).

Notes to the Financial Statements (continued)

The number of higher paid staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	2014/15 No.	2013/14 No.
£60,001 to £70,000	-	-
£70,001 to £80,000	3	3
£80,001 to £90,000	1	1
£90,001 to £100,000	2	2
£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	-	-
£150,001 - £160,000	1	-
Total	7	7

A pay award of 1% was approved by the Corporation with effect from 1 August 2014 (2013: 1%).

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.

	2014/15 No.	2013/14 No.
The number of senior post-holders, including the Principal	7	7

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

	2014/15 £	2013/14 £
Salaries	650,030	629,560
Benefits in kind	11,799	10,197
Payments in lieu of notice	110,450	-
	772,279	639,757
Pension contributions	89,275	85,028
Total emoluments	861,554	724,785

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

	2014/15 £	2013/14 £
Salary	145,000	130,000
Benefits in kind	7,164	6,001
	152,164	136,001
Pension contributions	20,445	18,330
Total emoluments	172,609	154,331

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.

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:

	2014/15 No. of Staff	2014/15 £	2013/14 No. of Staff	2013/14 £
Compensation paid to the former post-holders	2	82,974	-	-

The compensation paid relates to two individuals – the former Deputy Principal Corporate Resources and the former Vice Principal Student Services who left the College in July 2015.

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

	2014/15 £'000	2013/14 £'000
Teaching costs	2,372	2,468
Non – teaching costs	3,830	4,584
Premises costs	2,395	2,356
Total	8,597	9,408

	2014/15 £'000	2013/14 Restated £'000
Other operating expenses include:		
Auditors' remuneration		
- Financial statements audit	39	30
- Other services provided by the financial statements auditors	15	10
- Internal audit	34	30
- Other services provided by the internal auditors	-	9
Hire of other assets – operating leases	92	181

10. Interest and Other Finance Costs

	2014/15 £'000	2013/14 £'000
On bank loans, overdrafts and other loans		
Repayable within five years, by instalments	-	-
Repayable wholly or partly in more than five years	131	160
	131	160
Other interest	1	(2)
On finance leases	1	3
Pension finance costs (Note 30)	-	290
Total	133	451

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.

12. Deficit on Continuing Operations for the Year

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

	2014/15 £'000	2013/14 £'000
College's deficit for the year	(1,493)	(1,489)
Total	(1,493)	(1,489)

13. Exceptional items

	2014/15 £'000	2013/14 £'000
Staff restructuring costs	1,073	1,108
Non-pay merger costs	72	70
Campus maintenance costs*	1,726	240
Net costs	2,871	1,418

*During the year the Governing Body agreed to a large scale programme for the removal of asbestos.

14. Tangible Assets

	Freehold land and buildings £'000	Assets under construction £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2014	121,064	279	5,485	126,828
Additions	152	4146	531	4,829
Transfers	505	(505)	-	-
Surplus on revaluation	989	-	-	989
Disposals *	-	(167)	-	(167)
At 31 July 2015	122,710	3,753	6,016	132,479
Accumulated depreciation				
At 1 August 2014	-	-	(3,807)	(3,807)
Charge for the year	(2,861)	-	(716)	(3,577)
Revaluation	-	-	-	-
Eliminated in respect of disposals	-	-	-	-
At 31 July 2015	(2,861)	-	(4,523)	(7,384)
Net book value at 31 July 2015	119,849	3,753	1,493	125,095
Net book value at 31 July 2014	121,064	279	1,678	123,021
Inherited	21,319	-	-	21,319
Financed by capital grant	64,891	952	689	66,532
Other	33,639	2,801	804	37,244
Net book value at 31 July 2015	119,849	3,753	1,493	125,095

*During the financial year, the College wrote off £167k of costs from assets under construction in relation to the development of a site at the Ystrad Mynach Campus, which will not be developed in the foreseeable future, due to the asbestos situation.

Notes to the Financial Statements (continued)

The entire estate of Coleg y Cymoedd 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. The land on the former Coleg Morgannwg campuses were revalued in 2015 by DVS Property Specialists, details as above.

Land and buildings with a net book value of £21,319,491 (2014: £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 NIL (2013/14: £5,067) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £5,067 (2013/14: £20,592).

15. Investments

	2014/15 £'000	2013/14 £'000
Current asset investments		
Investments – short-term deposits	5,027	5,019

16. Debtors

	2014/15 £'000	2013/14 £'000
Trade debtors	1,303	568
Prepayments and accrued income	939	840
	2,242	1,408

17. Creditors - Amounts Falling Due Within One Year

	2014/15 £'000	2013/14 £'000
Bank loans and overdrafts	375	377
Other Loans	31	23
Obligations under finance leases	11	14
Trade creditors	179	226
Other taxation and social security	562	508
Accruals / Payments in advance	1,748	1,781
	2,906	2,929

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

	2014/15 £'000	2013/14 £'000
Bank loans	2,756	3,115
Obligations under finance leases	-	11
Other Loans	110	105
	2,866	3,231

Notes to the Financial Statements (continued)

19. Borrowings

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2014/15 £'000	2013/14 £'000
In one year or less	406	400
Between one and two years	391	384
Between two and five years	1,064	1,145
In five years or more	1,411	1,691
	3,272	3,620

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

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

Other loans provided by Salix Finance Ltd are interest-free and repayable by half-yearly instalments falling due between 1st August 2012 and 1st October 2020 totalling £190k, are also unsecured.

(b) Finance leases

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

	2014/15 £'000	2013/14 £'000
In one year or less	11	14
Between one and two years	-	11
Between two and five years	-	-
	11	25

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

20. Provisions for Liabilities

	Campus maintenance £'000	Restructuring £'000	Funding Claw back £'000	Enhanced Pensions £'000	Total £'000
At 1 August 2014	240	157	125	1,539	2,061
Utilised in Year	(240)	(153)	-	-	(393)
Additional provision in year	1,419	169	(125)	(6)	1,457
At 31 July 2015	1,419	173	-	1,533	3,125

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 restructuring provision relates to staff roles dependant on grant funding, which are due to expire. It also includes pension and redundancy costs resulting from the 2015 voluntary restructuring process.

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.

Notes to the Financial Statements (continued)

21. Deferred Capital Grants

	WG £'000	Other grants £'000	Total £'000
At 1 August 2014	33,103	10,357	43,460
Cash Received	1,913	-	1,913
Released to Income and Expenditure Account	(1,120)	(317)	(1,437)
31 July 2015	33,896	10,040	43,936

22. Revaluation Reserve

	2014/15 £'000	2013/14 £'000
At 1 August	59,165	46,789
Revaluations in the year (as per note 14)	989	13,491
Transfer from revaluation reserve to general: Depreciation on revalued assets	(1,457)	(1,115)
At 31 July	58,697	59,165

23. Movement on General Reserves

	2014/15 £'000	2013/14 £'000
Income and expenditure account reserve		
At 1 August	10,622	6,825
Deficit retained for the year	(1,493)	(1,489)
Transfer from revaluation reserve	1,457	1,118
Actuarial (loss) / gain in respect of pension scheme	(2,450)	4,170
At 31 July	8,136	10,622
	£'000	£'000
Balance represented by:		
Pension reserve	(17,888)	(15,198)
Income and expenditure account reserve excluding pension reserve	26,024	25,820
At 31 July	8,136	10,622

Notes to the Financial Statements (continued)

24. Reconciliation of Operating Deficit to Net Cash Inflow from Operating Activities

	2014/15 £'000	2013/14 £'000
Deficit on continuing operations after depreciation of assets at valuation	(1,493)	(1,489)
Depreciation (Note 14)	3,577	3,713
Deferred capital grants released to income (Note 21)	(1,437)	(1,734)
Loss / (Profit) on disposal of tangible fixed assets	167	(1)
Interest payable (Note 10)	133	161
Interest receivable (Note 6)	(79)	(59)
FRS17 pension cost less contributions payable	270	540
FRS17 pension finance cost (income)/expense	(30)	290
Decrease in stocks	2	7
(Increase)/decrease in debtors	(822)	680
Decrease in trade creditors	(26)	(342)
Increase in provisions (Note 20)	1,064	298
Net cash inflow from operating activities	1,326	2,064

25. Returns on Investments and Servicing of Finance

	2014/15 £'000	2013/14 £'000
Other interest received	67	106
Interest paid	(134)	(150)
Interest element of finance lease rental payments (Note 10)	(1)	(3)
Net cash outflow from returns on investments and servicing of finance	(68)	(47)

26. Capital Expenditure and Financial Investment

	2014/15 £'000	2013/14 £'000
Purchase of tangible fixed assets (Note 14)	(4,829)	(647)
Sale of tangible fixed assets	-	1
Deferred capital grants received (Note 21)	1,913	16
Net cash (outflow) from capital expenditure and financial investment	(2,916)	(630)

27. Management of Liquid Resources

	2014/15 £'000	2013/14 £'000
(Purchase)/Redemption of investments (Note 15)	(8)	487
Net cash (outflow) / inflow from management of liquid resources	(8)	487

Notes to the Financial Statements (continued)

28. Financing

	2014/15 £'000	2013/14 £'000
Debt due beyond a year		
New unsecured loans/finance leases	39	105
Repayment of amounts borrowed	(385)	(373)
Capital element of finance lease rental payments	(14)	(14)
Net cash outflow from financing	(360)	(282)

29. Analysis of Changes in Net Funds

	At August 1 st 2014 £'000	Cash flows £'000	At 31 st July 2015 £'000
Cash in hand and at bank	7,216	(2,026)	5,190
Debt due within one year	(400)	(6)	(406)
Debt due after one year	(3,221)	355	(2,866)
Finance leases	(25)	14	(11)
Current asset investments	5,019	8	5,027
Total	8,589	(1,655)	6,934

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 Taff County Borough Council. Both are defined benefit schemes.

Total pension cost for the year

	2014/15 £'000	2013/14 £'000
Teachers' Pension Scheme: contributions paid	1,741	1,764
Local Government Pension Scheme:		
Contributions paid	1,179	1,244
FRS 17 adjustment	270	540
Charge to the income and expenditure account (staff costs)	3,190	3,548
Enhanced pension charge to I&E account (staff costs)	111	111
Total pension cost for year	3,301	3,659

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was at 31 March 2012 and the LGPS at 31 March 2013.

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

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In additions, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and

Notes to the Financial Statements (continued)

higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contact. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

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

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

Scheme Changes

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

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

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

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

The pension costs paid to TPS in the year amounted to £1,795k (2014: £1,764k).

Notes to the Financial Statements (continued)**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 2015 were £2,044k (2014: £1,691k), of which employer's contributions totalled £1,597k (2014: £1,244k) and employees' contributions totalled £447k (2014: £447k). 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 2014 to July 2015 of £187k (2013/14: £149k), 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 2015 by a qualified independent actuary.

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

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

Funding / Governance Arrangements of the LGPS

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2013 at the contributions to be paid until 31 March 2017 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate. An actual valuation of the Fund will be carried out at 31 March 2016 and as part of that valuation a new Rates and Adjustment Certificate will be produced for the three year period from 1 April 2017.

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

Notes to the Financial Statements (continued)

Assets

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

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

Key Assumptions

	31 July 2015	31 July 2014	31 July 2013*
Discount rate for liabilities	3.6	4.1	4.6
Pension increases	2.1	2.2	2.8
Pension accounts revaluation rate	2.1	2.2	n/a
Salary increases	3.7	3.7	4.7

*The assumptions for 31 July 2013 are a weighted average of the assumptions used for Coleg Morgannwg and Ystrad Mynach College 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 2015	31 July 2014
Males		
Member aged 65 at accounting date	23.0	22.9
Member aged 45 at accounting date	25.2	25.1
Female		
Member aged 65 at accounting date	25.9	25.8
Member aged 45 at accounting date	28.3	28.2

Asset allocation and expected return on assets

	Value at 31 July 2015 %	Value at 31 July 2014 %
Equities	68.5	70.7
Property	6.2	5.9
Government bonds	9.0	7.8
Corporate bonds	12.3	11.7
Cash	4.0	3.9
Total	100.0	100.0
Expected rate of return on assets	n/a *	6.4%

* The adoption of FRS 102 in the next accounting period removes the requirement to recognise an expected return on assets item in the profit and loss charge. This item will be replaced with a net financing charge which is based on the discount rate assumption. As the expected return on assets is based on the assumption at the start of the accounting period, assumptions for the expected return on assets are not required at 31 July 2015.

Notes to the Financial Statements (continued)

Reconciliation of funded status to balance sheet

	Value as at 31 July 2015 £'000	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
Fair value of assets	34,090	30,050	28,510	23,075	21,408
Present value of funded defined benefit obligation	(51,980)	(45,250)	(47,050)	(42,878)	(36,152)
Pension liability recognised in the balance sheet	(17,890)	(15,200)	(18,540)	(19,803)	(14,744)

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

Active members:	51%
Differed Members:	19%
Pensioners:	30%

Analysis of the income and expenditure charge

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Current service cost	1,420	1,680
Past service cost	110	30
Interest cost	1,880	2,160
Expected return on assets	(1,910)	(1,870)
Expense recognised	1,500	2,000

Changes to the present value of the defined benefit obligation

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Opening present value of liabilities	45,250	47,050
Current service cost	1,420	1,680
Interest cost	1,880	2,160
Contributions by participants	450	450
Actuarial gains on liabilities	4,060	(5,050)
Net benefits paid out	(1,190)	(1,070)
Past service cost	110	30
Closing present value of liabilities	51,980	45,250

Notes to the Financial Statements (continued)

Changes to the fair value of assets

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Opening fair value of assets	30,050	28,510
Expected return on assets	1,910	1,870
Actuarial gains/(losses) on assets	1,610	(880)
Contributions by the employer	1,260	1,170
Contributions by participants	450	450
Net benefits paid out	(1,190)	(1,070)
Closing fair value of assets	34,090	30,050

Actual return on assets

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Expected return on assets	1,910	1,870
Actuarial (loss)/gain on assets	1,610	(880)
Actual return on assets	3,520	990

Analysis of amount recognised in STRGL

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Total (losses)/gains in STRGL	(2,450)	4,170	2,065

Contributions for the year ending 31 July 2016

The estimated value of employer contributions for the year ended 31 July 2016 is £1,740,000.

History of experience gains and losses

	Year ended 31 July 2015	Year ended 31 July 2014	Year ended 31 July 2013	Year ended 31 July 2012	Year ended 31 July 2011
Experience gains/(losses) on assets					
- Amount (£000)	1,610	(880)	3,084	(593)	1,217
Experience gains/(losses) on liabilities #					
- Amount (£'000)	200	1,270	(13)	(186)	1,049

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 2015 Annual Financial Statements:

32. Capital Commitments

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Commitments contracted for at 31 July	1,128	48
Authorised but not contracted at 31 July	21,857	4,084

The capital commitments have increased over the year due to the approval by the Governing Body to build a new £22m campus at Aberdare. The £21.8m include above is the approved project budget less all spends incurred to 31st July 2015 relating to this build.

33. Financial Commitments

At 31 July 2015 and 2014 the College had annual commitments under non-cancellable operating leases as follows:

	2014/2015 £'000	2013/2014 £'000
Land and buildings		
Expiring within one year	101	-
Expiring within two to five years inclusive	-	101
Expiring in over five years	39	33
	140	134
		£'000
Other		
Expiring within one year	28	148
Expiring within two to five years inclusive	64	33
Expiring in over five years	-	-
	92	181

34. Contingent Assets and Liabilities**Contingent assets**

At 31 July 2014 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.

Notes to the Financial Statements (continued)**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 (2014 £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 Financial Statements (continued)

36. Financial Contingency Fund

	Year ended 31 July 2015 £	Year ended 31 July 2014 £
Balance brought forward	13,462	43,270
Unpresented cheque	-	8,872
WG grant	928,257	936,037
Interest earned	970	570
	942,689	988,749
Disbursed to students		
Childcare	486,604	564,870
Books and equipment	14,801	16,546
Tuition fees	62,532	101,032
Transport	129,347	145,678
Accommodation	2,861	1,200
Other	67,931	117,791
Total disbursed to students	764,076	947,117
Administration costs	27,475	28,059
Bank charges	544	111
Total disbursements	792,095	975,287
Balance unspent at 31 July	150,594	13,462

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.

