Coleg y Cymoedd

Report and Financial Statements

Year ended 31 July 2017

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Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and audited financial statements for the year ended 31 July 2017.

Legal status

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

Public Benefit

Coleg y Cymoedd is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Welsh Government. The members of the Corporation Board, who are trustees of the charity, are disclosed on page 17.

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

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

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

Mission, Vision and Core Values

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

Your Future is our Mission

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

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

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

Strategic Report (continued)

Implementation of the Strategic Plan for 2016-19

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

The plan contained seven strategic aims and within each aim, a set of objectives were developed for the first academic year of the three-year cycle i.e. 2016/17. Each objective was assigned to a member of the Strategic Leadership Team (SLT) and a reporting schedule was agreed. Progress was monitored at SLT meetings, shared with all managers at the College Management Team (CMT) meetings and reported to the various Corporation Committees and to the full Corporation Board via the Register of Strategic Risk. The plans are reviewed and updated each year.

The College's seven strategic aims (2016-19) are listed below with an indication of progress against the strategic objectives which were set for 2016/17. In addition the strategic objectives included within financial aim 7 are detailed at the end.

- **Aim 1 – To give learners access to a curriculum that is relevant to their needs and future aspirations.** There were four objectives in this area – three have been achieved and one has been partially achieved. Four new objectives have been set for 2017/18.

- **Aim 2 – Provide effective teaching and learning and ensure systems are in place to support learners and the learning process.** There were six objectives in this area – all six have been achieved. Five new objectives have been set for 2017/18.

- **Aim 3 – To achieve excellence within a culture of continuous improvement.** There were three objectives in this area – all three have been achieved. Three new objectives have been set for 2017/18.

- **Aim 4 – Promote and support the development of Welsh language/bilingual services and curriculum provision across the college.** There were four objectives in this area – three have been achieved and one is progressing. Three new objectives have been set for 2017/18.

- **Aim 5 – To lead and govern the college in an inspirational and forward-looking manner developing and investing in our staff.** There were seven objectives in this area – six have been achieved and one has been partially achieved. Five new objectives have been set for 2017/18.

- **Aim 6 – To be a significant partner in local, regional, national and international collaborative working arrangements and strategic partnerships.** There were five objectives in this area – four have been achieved and one is progressing. Four new objectives have been set for 2017/18.

- **Aim 7 – To make investment and financial planning decisions to achieve long-term financial stability and sustainability.** There were six objectives in this area – all six have been achieved. Four new objectives have been set for 2017/18.

The College's financial objectives are:

- **7.1** – Complete a new Financial Health Self-Assessment (FHSA) once planning for 2017/18 has reached draft stages and determine the level of reserves required and report within the Financial Strategy and FHSA.

- **7.2** – Review the costs of all areas of the College with a view to identifying savings for 2017/18.

- **7.3** – Continue to develop alternative funding streams (not WG funding) e.g. commercial full cost recovery work, international opportunities, tender initiatives and grant support.

- 7.4 – Continue to review and monitor the operation of the finance system to ensure that it is fit for purpose and supports the College with accurate, timely and appropriate reports to inform decision-making.

Strategic Report (continued)

Performance indicators

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

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

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

Benchmarking

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

FINANCIAL POSITION

Financial results

2016/17 was the fourth year of operations for Coleg y Cymoedd, following the merger in August 2013 of Coleg Morgannwg and Ystrad Mynach College.

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

	Actual 2016/2017 £'000	Actual 2015/2016 £'000
Income	39,560	36,607
Expenditure	41,415	37,997
Surplus/(Deficit) before Fundamental Items	338	(711)
Deficit before other gains and losses	(1,855)	(1,390)
Total Comprehensive Income/ (Expense) for the year	6,832	(9,738)

The College incurred a deficit before other gains and losses in the year of £1,855k (2015/16: deficit of £1,390k), with total comprehensive income of £6,832k, (2015/16: (£9,738k)).

The College has a surplus on its Income and Expenditure reserve of £4,881k (2016: deficit of £2,916k) and cash and short-term investment balances of £5,391k (2016: £12,860k). The accumulated reserves have increased in the last year due to a decrease in the defined benefit pension obligation of £6,880k. Cash and short-term investments have decreased during the year as a result of the College funding the new Cynon Campus build.

Tangible fixed assets additions during the year amounted to £17,291k. This was split between assets under construction of £16,173k and equipment purchases of £1,118k. Assets under construction relate to the new Aberdare Campus build, which will cost £22m in total, which was completed in September 2017 and the Construction Workshop extension at Ystrad Mynach, which will cost £1.4m in total and is due to be completed in March/April 2018.

The College has significant reliance on the WG for its principal funding source, largely from recurrent grants. In 2016/17 the WG provided 88.1% (2015/16: 88.0%) of the College's total income.

Strategic Report (continued)

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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

Cash flows and Liquidity

At £3.2m (2016: £2.5m), net cash flow from operating activities was reasonably strong. The net cash flow resulted from the management of resources.

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

Liquidity as measured by the Current Ratio decreased to 1.18 in 2016/17 compared to 2.35 in 2015/16 and is considerably lower than the Welsh average, which is 2.03 according to WG statistics for 2015/16. This ratio has decreased as a consequence of the reduction in cash holdings due to financing the capital projects. The Days of Net Liquid Assets Ratio reveals 47.5 days compared to 123 days in 2015/16. The sector average for 2015/16 was 77 days.

Cash flow remains relatively healthy but will decrease further in the early part of next year as reserves are spent to support the ongoing capital programmes, but should then increase by next year end.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £4,881k (2016: deficit of £2,916k). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

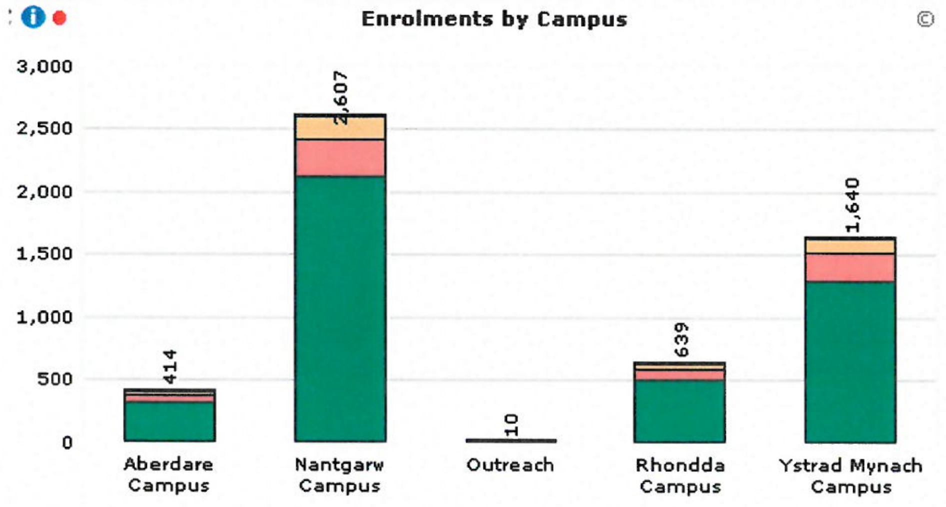
Financial Health

The College, utilising the criteria laid down by the WG, and based on its Financial Statements as at 31st July 2016, has assessed its financial health as category "A".

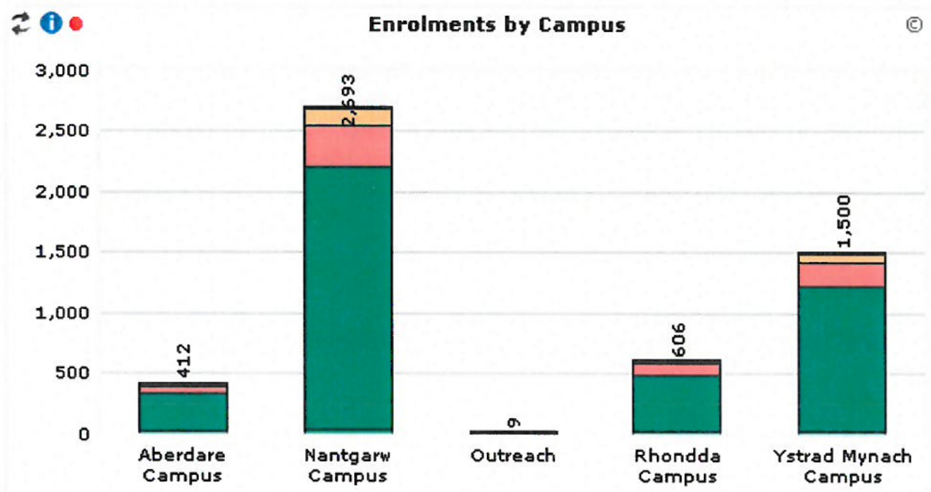
Student Numbers

In 2016/17 the College has delivered activity that has produced £28,265k in WG FE mainstream allocation funding (2015/16: £26,78k). The College had approximately 4,400 full-time students and 3,500 part-time students. . The investment strategy in terms of investing in facilities to attract full time learners appears to be working. The numbers on the Nantgarw campus were up again, with Aberdare holding its own whilst the new campus was being built and a small decline in both Ysrtad Mynach and the Rhondda. The tables below also illustrate the success of the strategy with the numbers for 17-18 showing that the strategy paid off in terms of a 50% increase in enrolments on the Aberdare Campus. These figures should also be contrasted with the FE sector as a whole struggling for full time learners, given the demographic for the 16-19 age group and increased competition.

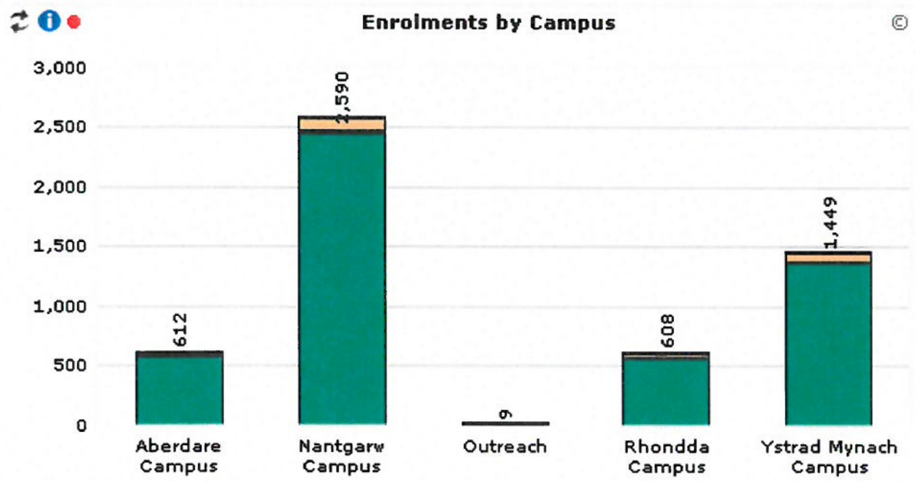
15/16



16/17



17/18



Strategic Report (continued)

Student Achievements

The college has been working to a two-year Quality Improvement Plan for 2015/16 and 2016/17 and significant progress was made to address the disappointing outcomes in 2014/15. In the first year of the Plan, outcomes improved by 3% in terms of successful outcomes for all qualifications and 5% on main qualifications. The leadership and governors are confident of achieving sustained improvement over the next two years but do not under estimate the size of this task. Structures have been designed to support quality improvement including updating the role of campus co-ordinators in all schools and teaching and learning mentors have been instrumental in improvements to teaching and learning.

Curriculum changes

In terms of the curriculum offer there were no significant changes in 2016/17. However it was agreed that the franchise to St David's Catholic College would cease and the funding transferred to support additional numbers at the new Aberdare Campus.

The Partnerships Faculty continued to do well and increased both commercial income and the work-based learning contract with Skills Academy Wales.

In May 2017 the responsibility for the Curriculum transferred to the Deputy Principal.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College paid 94.4 per cent of its invoices within 30 days (2016: 95%). The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

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

Future Prospects

With regard to the improved capacity provided by the new building at Aberdare, the College seeks to significantly increase student numbers over the next few years. The initial numbers for 17-18 are included in the previous section on student numbers and they do indeed show an encouraging response in Aberdare. Many of our full time learners are on courses lasting more than 1 year and so this pattern should see a further cumulative effect as the increased enrolments progress within their existing course and in some cases on to further curriculum within the College. The new facilities are also designed to support the needs of the local economy and so should be sustainable as the skills needs appear by all indications to be long term needs. It is hoped that the improving quality profile of the College as a result of the Quality Improvement Plan should also pay dividends as the reputational advantage of improved performance begins to bear fruit.

RESOURCES:

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include four campuses, a new £22m build under construction and £6.9m held in current assets.

Financial

The College has £11.2m of net assets (including £20.5m pension liability) and long-term debt of £6.3m.

People

The College employs 648 people (expressed as full time equivalents), of whom 322 are teaching staff.

Strategic Report (continued)

Reputation

The College continues to have a good reputation both locally and nationally, and has been seen to further invest in world-class facilities for both its learners and the communities from which they come. The investment is designed not only to enhance the experiences and attainments of current learners, but also to ensure that we attract increasing future learners in order to justify that investment. Enrolments in the new facility in Aberdare are particularly pleasing and are hopefully the beginning of a trend of further developing the reputation of the College as a thriving educational institution.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

1. Government funding

The College is committed to growing and developing alternative income streams wherever such opportunities arise. In particular the College is working hard to increase its commercial activities and through initiatives such as the enhanced programmes, to look at ways of better funding existing provision.

The College is aware of several issues which continue to impact on future funding despite some expectations of an easing in the austerity measures which have impacted on public expenditure in recent years:

- Cuts to public funding are still a possibility in response to changes in the economic performance of the UK;
- Public sector pay pressures with the potential easing of the cap applied in recent years;
- The removal of European funding (albeit this will not impact for a few years);
- The continuing state of flux in work based learning contracts.

This risk is mitigated in a number of ways:

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

2. Maintain adequate funding of pension liabilities

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

Strategic Report (continued)

3. Increasing costs

Pay costs outside the recent "cap" agreements are of growing concern in an era when such pressures are unlikely to be matched by increased funding levels. Further work on generating savings will be undertaken this year with a particular focus on resource allocation and analysis of the levels of utilisation of existing resources in order to maintain financial stability and to hopefully provide some flexibility.

The College will also keep a watching brief on changes to interest rates and the broader elements of inflationary pressures in relation to its substantial non-pay commitments.

STAKEHOLDER RELATIONSHIPS

Coleg y Cymoedd has many stakeholders, these include:

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

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

Equality and Diversity

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

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

The College is a 'Disability Confident' employer which demonstrates our positive approach to employing disabled people. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and invites applicants who meet the essential criteria for the post to an interview. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues by providing a range of support mechanisms. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees. The College has continued to improve access to all its facilities and provision offered for disabled staff, learners and visitors.

The College has signed to the Time to Change Wales, Organisational Pledge, showing our commitment to tackling stigma and discrimination around Mental Health in the workplace. The College currently holds the Platinum Award for the Corporate Health Standard.

Coleg y Cymoedd is a proud member of the Stonewall Diversity Champions Programme. This is Britain's good practice forum that promotes equality in the workplace for lesbian, gay, bisexual and transgender employees and brings together the UK's top employers to promote diversity.

Strategic Report (continued)

The College provides a comprehensive training and awareness programme for Equality & Diversity, which is designed to meet the requirements of different staff roles, and includes mainstreaming equality into the College induction programme and staff mandatory training.

The College recognises that the involvement and engagement of appropriate stakeholders is critical to the success of its Equality Objectives. The Equality and Diversity Group seeks to work with all members of the College community to advance equality and celebrate diversity. The Equality and Diversity Group draws its membership from learners, Academic and Business Support staff, and is responsible for monitoring the delivery of objectives and the reviewing and updating procedures across the College.

Engagement with external organisations such as Race Equality First and Stonewall is recognised as paramount for promoting equality of opportunity amongst staff and learners and for promoting good relations between persons of different groups.

Equality data monitoring plays an important role as the College uses equality data to understand the College's workforce and learner profile and to develop a better understanding of what our staff and learners need in order to work, perform and enjoy life at the college.

There are a range of staff and learner policies and statements which support the Equality and Diversity agenda and which support staff and learners through their experience of College life. These include codes of conduct, bullying and harassment policies and family friendly policies, to name a few, which are regularly reviewed and communicated to staff and learners.

Equality and Diversity - Developments in 2016/17

Coleg y Cymoedd became a member of the **Working Forward initiative** developed by the Equality and Human Rights Commission (EHRC). By joining Working Forward the College has pledged to work towards making our workplace the best it can be for pregnant women and new mothers. We recognise the challenges faced in balancing a career with family. To this end, the College is committed to supporting women taking maternity leave and returning to work through a number of specific policies, initiatives and programmes.

As part of our membership of the Working Forward initiative, our employees will have access to a full suite of resources from the EHRC, entitled Power to the Bump, which aims to support pregnant women, in addition to the guidance already provided at the College. Power to the Bump provides a range of infographics, quizzes, top tips for pregnant mums at work and videos and blogs from midwives and other pregnant women.

The College's maternity policy and procedures have been reviewed and updated in line with this and a pregnancy/maternity questionnaire has been introduced to seek opinions on whether staff feel they receive fair and equal treatment and opportunities.

The College's **Strategic Equality Plan** was reviewed and updated for 2016-2020, including 6 new objectives.

Raising Awareness: We have continued to raise awareness throughout the College of Equality & Diversity issues to ensure full integration of E&D into everyday operations. We promote National Awareness days via email, My Staff Life, Twitter. This year we have promoted: Carers Week, International Day against Homophobia, Biphobia and Transphobia, LGBT History Month, Holocaust Memorial Day, International Day for the Elimination of Violence against Women, Anti-bullying week.

Stonewall's Rainbow Laces campaign has been fully supported by the College, and received coverage in the local press. Rainbow Laces is Stonewall's campaign to unite sport to make sure no lesbian, gay, bi or trans people feel excluded from taking part as a fan or teammate. The campaign has been created to give sportspeople a simple way to show their support for lesbian, gay, bi and trans people in sport by wearing rainbow coloured shoelaces. On Wednesday 23rd November 2016 we asked staff and students to get involved and show their support by wearing rainbow or brightly coloured clothing or accessories. Stonewall Rainbow Laces were available to purchase on the day from each campus office. The College's Sports teams showed their support by wearing the rainbow laces during their matches.

Staff and learners were encouraged to sign up to the pledge to show that they will speak out against discrimination. Pledge posters were available on each campus.

Strategic Report (continued)

Equality & Diversity/Health & Wellbeing event held on Ystrad Mynach Campus on 26th April 2017. Organisations that attended included: Stonewall, ACAS, MIND, Organ Donation Team, Stop Smoking Wales, Citizens Advice Bureau, Family Information Service, Victims' Support. Learners from Hair & Beauty were also involved, along with tables from the HR department, Welsh Language Officer, Health and Safety Team, Learning Support team and UCU. There were lived experience talks from Time to Change Wales champions and also a representative from Aneurin Bevan Health Board, talking about their community based mental health courses.

Victim Support attended a College inset day and provided staff with **Hate Crime Awareness Training**.

E&D Policies have been reviewed and updated, with new reference guides introduced on LGBT issues for managers.

E&D committee has been refreshed and has welcomed 6 new members from departments across the College.

The College made its first submission to the **Workplace Equality Index** in September 2016. The Workplace Equality Index is Stonewall's leading benchmarking tool for LGBT (Lesbian, Gay, Bisexual, Transgender) inclusion in the workplace. Each organisation who takes part must compile a submission demonstrating their performance against a set of best practice criteria accompanied by supporting evidence. Participating in the Workplace Equality index allows us to assess our achievements and progress on LGBT equality and compare our performance with other organisations in the region and/or sector. For our 2017 submission the College achieved a ranking of 364 out of 439 submissions, with Stonewall commenting on the College's huge progress during our first year as a member of the Diversity Champions Programme. At the time of our first submission, we had only been a member for 3 months, so the score was positive. The next submission for 2018 is due in September 2017. Work being undertaken for this submission includes reviewing the College's procurement policy and establishing links with external LGBT network groups for staff.

The College has widened its **advertising** to reach a more diverse audience, including advertising on the proud employers' website.

The College has continued to address its gaps in **data monitoring** and encouraged staff to complete their Equality information on Team Spirit. A user guide has been developed and managers have been asked to remind their teams to complete.

Staff and Learner Involvement

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

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

Environmental Performance Review

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

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

Strategic Report (continued)

Environmental performance over the past year:

	2016/17	2015/16	2014/15
Electricity consumption (KWh)	3,785,794	3,747,619	3,750,734
Reduction year on year	(1.0%)	0.1%	2.6%
Kg CO2	2,059,472	2,038,705	2,040,399
Gas consumption (KWh)	4,799,149	4,905,514	5,424,536
Reduction/(increase) year on year	2.2%	9.6%	(21.9%)
Kg CO2	883,043	902,615	998,115
Gas & electric KWh/m2 floor area	148	149	158
Water consumption M3	38,577	19,719	17,850
Water consumption m3/m2 floor area	0.66	0.33	0.3

Financial year 2016/2017 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 2016/17 - this was a rather dry and mild winter. Any unsettled and stormy spells of weather were relatively brief until the second half of February, in contrast to some recent winters. After this, the weather was mild and quite disturbed, including two of the winter's five 'named storms' – Storm Doris, around 23rd February, gave the most widespread impacts over England, with wind gusts of up to 94 mph. December and February were both mild months, but January was a little colder than average towards the southeast (December 2016 was the eighth mildest December for the UK as a whole in a series since 1910, although well below the exceptional mildness of December 2015, and February 2017 ranked ninth). This background accounts for the differences in the gas consumption figures between the last three comparison years.

- TELC a number of ongoing operational issues with the biomass boiler. There has been an issue with the boiler/boiler controls in Nantgarw A block which have now been replaced with condensing boilers and new controls.
- Electricity consumption year on year has increased, these figures are not significantly affected by the identified degree-day fluctuations and falls within minor fluctuations year on year.
- Water consumption has increased. There has been a significant increase at the Ystrad campus due to major underground leak now identified and fully repaired.
- Gas continues to fluctuate with a 2.2% reduction in consumption. The result highlights the impact of degree-day on gas consumption although efficiencies can be targeted the degree-day factor will significantly impact on any year on year comparisons.

Strategic Report (continued)

Professional advisers

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

Lloyds Bank
St William House
Tresillian Terrace
Cardiff
CF10 5BH

Financial Statements Auditors:
PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

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

Solicitors:
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 18th December 2017 and signed on its behalf by:

Nigel H. Bayford

N Bayford
Chair

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Welsh Government (WG) and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction for 2016/17 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 a Strategic Report 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 on 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 18 December 2017 and signed on its behalf by:

N Bayford
Chair

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 2017. 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 2017, is set out on page 17. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

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

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

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

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

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

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

There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer 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 2017 is set out in note 8 to the financial statements.

College Committees

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

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

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

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

Statement of Corporate Governance and Internal Control (continued)

NAME	STATUS OF APPOINTMENT	DATE APPOINTED/ RE-APPOINTED/ DATE OF RESIGNATION	COMMITTEES SERVED
N Bayford (Chair)	Member	01/08/13 Appointed	Finance & Estates
J Bonetto	Member	01/08/13 Appointed	Employment Policy Audit
C Bradshaw	Member	01/08/13 Appointed	Curriculum & Quality
D Bull	Member	01/08/13 Appointed	Finance & Estates Audit
J English (V Chair)	Member	01/08/14 Re-Appointed	Finance & Estates
J Evans (Principal)	Principal	01/08/14 Re-Appointed	Curriculum & Quality Finance & Estates
S Farquharson	Member	01/01/15 Appointed	Curriculum & Quality
J Foster	Member	18/11/16 Appointed 20/06/17 Resigned	Employment Policy Audit
J Gilmore	Co-opted Member	01/08/13 Appointed	Finance & Estates
H Haines	Member	01/08/13 Appointed	Finance & Estates
Cllr E Hanagan	Member	01/08/13 Appointed 24/05/17 Resigned	Employment Policy
M Harding	Member	01/08/13 Appointed	Curriculum & Quality Audit
E J Hope	Co-opted Member	01/08/13 Appointed	Finance & Estates
A Lee	Student Member	01/06/16 Appointed Terminated July 2017	Curriculum & Quality
Dr R Lewis	Member	01/06/15 Re-Appointed	Curriculum & Quality
M Lippard	Member	01/08/13 Appointed	Employment Policy Audit
A Rearden	Student Member	01/06/16 Appointed	Curriculum & Quality
Cllr J Rosser	Member	20/06/17 Appointed	Curriculum & Quality
Dr P Smart	Member	01/08/13 Appointed	Employment Policy Audit
C Thomas	Member	18/11/16 Appointed	Employment Policy Audit
B Tod	Staff Member	01/08/13 Appointed 31/07/17 Resigned	Finance & Estates
D Watters	Staff Member	01/04/16 Appointed	Curriculum & Quality
G Williams	Co-opted Member	01/08/13 Appointed	Employment Policy Audit
R Williams	Member	01/09/15 Appointed	Employment Policy Finance & Estates
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 2017 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 2017 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 Accounting Officer has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms, which are embedded within the departments and reinforced by its risk awareness training. The senior leadership team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of 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 2017 meeting the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

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

Going Concern

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

Governing Body's statement on the College'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.

Approved by order of the Members of the Corporation on 18 December 2017 and signed on its behalf by:

N Bayford
Chair

J Evans
Accounting Officer

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

Report on the audit of the financial statements

Opinion

In our opinion, Coleg Y Cymoedd's financial statements:

- give a true and fair view of the state of the institution's affairs as at 31 July 2017 and of its income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been properly prepared in accordance with the Accounts Direction issued by the Welsh Government.

We have audited the financial statements, included within the Report & Financial Statements (the "Annual Report"), which comprise the Balance Sheet as at 31 July 2017; the Statement of Comprehensive Income for the year then ended; the Statement of Changes in Reserves for the year then ended; the Statement of Cash Flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement of Responsibilities of Members of the Corporation set out on page 11, the Corporation is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Corporation is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

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

Other Required Reporting

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

In our opinion, in all material respects:

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

18 December 2017

Statement of Comprehensive Income for the year ended 31 July 2017

	Note	2016/17 £'000	2015/16 £'000
INCOME			
Funding body grants	2	34,872	32,214
Tuition fees and education contracts	3	2,169	2,526
Other grants and contracts	4	712	258
Other income	5	1,752	1,561
Investment income	6	55	48
Total income		**39,560**	**36,607**
EXPENDITURE			
Staff costs	7	27,956	26,321
Fundamental staff restructuring costs	12	875	473
Other operating expenses	9	8,196	8,035
Fundamental campus maintenance costs / accelerated depreciation	12	1,318	206
Depreciation	13	2,315	2,214
Interest and other finance costs	10	755	748
Total expenditure		**41,415**	**37,997**
Surplus / (Deficit) before fundamental items		**338**	**(711)**
Fundamental staff restructuring costs	12	(875)	(473)
Fundamental campus maintenance / accelerated depreciation	12	(1,318)	(206)
Deficit before other gains and losses		**(1,855)**	**(1,390)**
Loss on disposal of fixed assets		(33)	(28)
Deficit for the year		**(1,888)**	**(1,418)**
Actuarial gain/(loss) in respect of pension schemes		**8,720**	**(8,320)**
Total Comprehensive Income/(Expense) for the year		**6,832**	**(9,738)**

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

Statement of Changes in Reserves for the year ended 31 July 2017

	Income and Expenditure Account £'000	Revaluation Reserve £'000	Total Unrestricted Reserves £'000
Restated Balance at 1 August 2015	**6,732**	**7,372**	**14,104**
Deficit for the year	(1,418)	-	(1,418)
Other comprehensive expense	(8,320)	-	(8,320)
Transfers between revaluation and income and expenditure reserves	90	(90)	-
Total comprehensive expense for the year	**(9,648)**	**(90)**	**(9,738)**
Balance as at 31 July 2016	**(2,916)**	**7,282**	**4,366**
Deficit for the year	(1,888)	-	(1,888)
Other comprehensive income	8,720	-	8,720
Transfers between revaluation and income and expenditure reserves	965	(964)	1
Total comprehensive income for the year	**7,797**	**(964)**	**6,833**
Balance at 31 July 2017	**4,881**	**6,318**	**11,199**

Balance Sheet as at 31 July 2017

	Note	2016/17 £'000	2015/16 £'000
Non-current assets			
Tangible fixed assets	13	91,295	77,517
		91,295	**77,517**
Current assets			
Trade and other receivables	14	1,512	1,125
Investments	15	1,006	8,034
Cash and cash equivalents	20	4,385	4,826
		6,903	**13,985**
Less: Creditors - amounts falling due within one year	16	(5,872)	(5,939)
Net current assets		**1,031**	**8,046**
Total assets less current liabilities		**92,326**	**85,563**
Creditors - amounts falling due after more than one year	17	(58,707)	(51,919)
Provisions			
Defined benefit pension obligations	19	(20,468)	(27,348)
Other provisions	19	(1,952)	(1,930)
TOTAL NET ASSETS		**11,199**	**4,366**
Unrestricted Reserves			
Income and expenditure account		4,881	(2,916)
Revaluation reserve		6,318	7,282
TOTAL UNRESTRICTED RESERVES		**11,199**	**4,366**

The financial statements on pages 23 to 47 were approved and authorised for issue by the Corporation on 18 December 2017 and were signed on its behalf on that date by:

Nigel H. Bayford

N Bayford
Chair

J M Evans

J Evans
Accounting Officer

Statement of Cash Flows for the year ended 31 July 2017

	Notes	2016/17 £'000	2015/16 £'000
Cash flow from operating activities			
Deficit for the year		**(1,888)**	**(1,418)**
Adjustment for non-cash items			
Depreciation		3,480	2,214
(Increase) / decrease in debtors		(402)	1,116
(Decrease) / increase in creditors due within one year		(188)	633
Increase / (decrease) in provisions		22	(1,195)
Pensions costs less contributions payable		1,200	510
Pension finance cost		640	630
Deferred capital grants released to income		(1,583)	(1,558)
Adjustment for investing or financing activities			
Investment income		(55)	(48)
Interest payable		115	118
Loss on sale of fixed assets		33	31
Net cash flow from operating activities		**3,262**	**2,451**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	2
Investment income		71	49
Withdrawal of deposits / (New deposits)		7,028	(3,007)
Payments made to acquire fixed assets		(17,291)	(5,423)
Deferred capital grants received		9,483	3,049
		(709)	**(5,330)**
Cash flows from financing activities			
Interest paid		(123)	(120)
Interest element of finance lease rental payments		-	(1)
New secured loans		22	4,500
Repayments of amounts borrowed		(1,005)	(435)
Capital element of finance lease rental payments		-	(11)
		(1,106)	**3,933**
(Decrease) in cash and cash equivalents in the year		**(441)**	**(364)**
Cash and cash equivalents at beginning of the year		4,826	5,190
Cash and cash equivalents at end of the year		4,385	4,826

Notes to the Financial Statements

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the WG Accounts Direction for 2016/17* financial statements and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Going Concern

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

The College currently has £6.3m of loans outstanding with bankers on terms negotiated in 2010, 2012 and 2016. The terms of the existing agreements are for up to another 19 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

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

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

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

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

Notes to the Financial Statements (continued)

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

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

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

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

Fundamental items

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

Agency arrangements

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

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

Accounting for post-employment benefits

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

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

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

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

Notes to the Financial Statements (continued)

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

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

Short-term Employment benefits

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

Enhanced pensions

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

Non-current assets – Tangible Fixed Assets

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

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

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

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

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

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

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

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

Leased assets

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

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

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

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

Investments

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

Inventories

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

Notes to the Financial Statements (continued)

Maintenance of premises

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

Foreign currency translation

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

Taxation

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

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

Provisions and contingent liabilities

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Notes to the Financial Statements (continued)

Other key sources of estimation uncertainty

- **Tangible fixed assets**

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

- **Local Government Pension Scheme**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Financial Statements (continued)

2. Funding body grants

	2016/17 £'000	2015/16 £'000
Core Recurrent funding	28,265	26,978
Other recurrent funding	2,265	1,827
Release of WG capital grants	1,264	1,223
Work-based learning	3,078	2,186
Total	**34,872**	**32,214**

3. Tuition Fees and Education Contracts

	2016/17 £'000	2015/16 £'000
EC (including home) tuition fees	352	553
Non-EC tuition fees	-	1
HE fees	1,019	1,065
Examination fees and expenses (non-EU community)	75	81
Total fees paid by or on behalf of individual students	**1,446**	**1,700**
Education contracts		
Higher Education income	313	303
Other contracts (including Local Education Authority)	410	523
Total	**2,169**	**2,526**

4. Other Grants and Contracts

	2016/17 £'000	2015/16 £'000
European Commission grants	706	175
Other grants and contracts	6	83
Total	**712**	**258**

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

	2016/17 £'000	2015/16 £'000
Income received from WEFO	941	138
Payments to other Partners	(387)	-
College Expenses	(187)	(35)
Total	**367**	**103**

Notes to the Financial Statements (continued)

5. Other Income

	2016/17 £'000	2015/16 £'000
Catering and residences	11	17
Releases from deferred capital grants (Non-WG)	318	335
Other income-generating activities	634	438
Other income	789	771
Total	**1,752**	**1,561**

6. Investment Income

	2016/17 £'000	2015/16 £'000
Interest receivable	55	48
Total	**55**	**48**

7. Staff Costs

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

	2016/17 No.	2015/16 No.
Teaching staff	322	312
Non - teaching staff	326	351
	648	**663**

Staff costs for the above persons

	2016/17 £'000	2015/16 £'000
Wages and salaries	21,337	20,926
Social security costs	2,026	1,636
Other pension costs	4,593	3,759
Payroll sub total	**27,956**	**26,321**
Fundamental restructuring costs* - Contractual	574	222
- Non-contractual	301	251
Total staff costs	**28,831**	**26,794**

*During the year a voluntary restructuring exercise took place, resulting in a release of 37 (2016: 23) members of staff at a cost of £875k (2016: £473k).

A pay award of 1% was approved by the Corporation with effect from 1 August 2016 (2015: 1%).

8. Key management personnel

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

Notes to the Financial Statements (continued)

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

	2016/17 No.	2015/16 No.
The number of key management personnel including the Accounting Officer was:	5	5

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

	2016/17 No.	2015/16 No.
£60,001 to £70,000	1	-
£70,001 to £80,000	1	2
£80,001 to £90,000	1	1
£90,001 to £100,000	1	1
£150,001 - £160,000	1	1
Total	**5**	**5**

Key management personnel emoluments are made up as follows:

	2016/17 £	2015/16 £
Salaries	474,386	429,936
Benefits in kind	12,910	10,684
	487,296	440,620
Pension contributions	74,261	67,055
Total emoluments	**561,557**	**507,675**

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

	2016/17 £	2015/16 £
Salary	146,451	145,000
Benefits in kind	9,412	7,743
	155,863	152,743
Pension contributions	24,135	23,608
Total emoluments	**179,998**	**176,351**

The pension contributions in respect of the Accounting Officer and two of the four 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 paid to former key management personnel

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

	2016/17 No. of Staff	2016/17 £	2015/16 No. of Staff	2015/16 £
Compensation paid to former post-holders - contractual	1	14,181	-	-
Estimated value of other benefits, including provisions for pension benefits	1	25,502	-	-

The compensation paid relates to one individual – the former Vice Principal Curriculum and Quality who left the College in July 2017.

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

	2016/17 No. of Governors	2016/17 £	2015/16 No. of Governors	2015/16 £
Travel expenses	3	1,057	3	721

9. Other Operating Expenses

	2016/17 £'000	2015/16 £'000
Teaching costs	2,673	2,460
Non – teaching costs	2,896	3,219
Premises costs	2,627	2,356
Total	**8,196**	**8,035**

	2016/17 £'000	2015/16 £'000
Other operating expenses include:		
Auditors' remuneration		
- Financial statements audit	32	31
- Other services provided by the financial statements auditors	10	18
- Internal audit	27	23
Hire of other assets – operating leases	62	90

10. Interest and Other Finance Costs

	2016/17 £'000	2015/16 £'000
On bank loans, overdrafts and other loans	115	118
	115	118
On finance leases	-	1
Pension finance costs (Note 25)	640	630
Total	**755**	**749**

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. Fundamental items

	2016/17 £'000	2015/16 £'000
Staff restructuring costs	875	473
Campus maintenance costs* / accelerated depreciation#	1,318	206
Net costs	**2,193**	**679**

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

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

13. Tangible Fixed Assets

	Freehold land and buildings £'000	Assets under construction £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2016	87,389	4,325	6,576	98,290
Additions	-	16,173	1,118	17,291
Disposals	-	(33)	(399)	(432)
At 31 July 2017	**87,389**	**20,465**	**7,295**	**115,149**
Accumulated depreciation				
At 1 August 2016	(15,605)	-	(5,168)	(20,773)
Charge for the year	(1,564)	-	(751)	(2,315)
Accelerated depreciation re: impairment	(1,165)	-	-	(1,165)
Eliminated in respect of disposals	-	-	399	399
At 31 July 2017	**(18,334)**	**-**	**(5,520)**	**(23,854)**
Net book value at 31 July 2017	**69,055**	**20,465**	**1,775**	**91,295**
Net book value at 31 July 2016	71,784	4,325	1,408	77,517
Inherited	6,318	-	-	6,318
Financed by capital grant	42,731	10,208	739	53,678
Other	20,006	10,257	1,036	31,299
Net book value at 31 July 2017	**69,055**	**20,465**	**1,775**	**91,295**

Land and buildings with a net book value of £6,317,635 (2016: £7,282,241) 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.

Notes to the Financial Statements (continued)

14. Trade and other Receivables

	2016/17 £'000	2015/16 £'000
Trade debtors	333	165
Prepayments and accrued income	1,179	960
	1,512	**1,125**

15. Investments

	2016/17 £'000	2015/16 £'000
Current asset investments		
Investments – short-term deposits	**1,006**	**8,034**

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

16. Creditors - Amounts Falling Due Within One Year

	2016/17 £'000	2015/16 £'000
Bank loans and overdrafts	394	569
Other Loans	34	31
Trade payables	236	381
Other taxation and social security	516	543
Accruals and deferred income*	3,159	3,182
Deferred income – capital grants	1,533	1,233
	5,872	**5,939**

* Accruals and deferred income include an amount of £1,054,360 (2016: £1,013,057) in respect of accrued holiday pay.

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

	2016/17 £'000	2015/16 £'000
Bank loans	5,875	6,675
Other Loans	66	78
Deferred income – capital grants	52,766	45,166
	58,707	**51,919**

Notes to the Financial Statements (continued)

18. Maturity of Debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2016/17 £'000	2015/16 £'000
In one year or less	427	600
Between one and two years	402	574
Between two and five years	1,183	1,442
In five years or more	4,357	4,737
	6,369	**7,353**

The outstanding balance of the Barclays bank loan of £428,571 was repaid during 2016/17.

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

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

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

19. Provisions

	Defined benefit pension obligations £'000	Restructuring £'000	Campus maintenance £'000	Enhanced Pensions £'000	Total £'000
At 1 August 2016	27,348	64	307	1,559	29,278
Utilised in Year	(6,880)	(64)	(160)	(108)	(7,212)
Additional provision in year	-	192	153	9	354
At 31 July 2017	**20,468**	**192**	**300**	**1,460**	**22,420**

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

The restructuring provision relates to staff roles dependant on grant funding, which are due to expire. It also includes pension and redundancy costs resulting from the 2017 voluntary restructuring process.

Notes to the Financial Statements (continued)

The campus maintenance provision relates to the dilapidations claim relating to the old Rhymney Campus, which is ongoing.

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

20. Cash and cash equivalents

	At August 1 2016 £'000	Cash flows £'000	At 31 July 2017 £'000
Cash and cash equivalents	4,826	(441)	4,385
Total	**4,826**	**(441)**	**4,385**

21. Capital and other Commitments

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Commitments contracted for at 31 July	3,217	16,208
Authorised but not contracted at 31 July	803	1,620

The capital commitments have reduced over the year due to work completed and reported in work in progress on the £22m campus at Aberdare.

22. Lease obligations

At 31 July 2017 and 2016 the College had minimum lease payments under non-cancellable operating leases as follows:

	2016/2017 £'000	2015/2016 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	-
Later than five years	428	549
	428	**549**
Other		
Not later than one year	11	8
Later than one year and not later than five years	69	64
	80	**72**

23. Contingent Assets and Liabilities

Contingent assets

At 31 July 2017 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.

Notes to the Financial Statements (continued)

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.

24. Events after the end of the reporting period

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 2017 Annual Financial Statements:

25. Defined benefit obligations

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

Total pension cost for the year

	2016/17 £'000	**2015/16 £'000**
Teachers' Pension Scheme: contributions paid	2,058	1,960
Local Government Pension Scheme:		
Contributions paid	1,323	1,150
FRS 102 (28) charge	1,200	510
Charge to the Statement of Comprehensive Income	4,581	3,620
Enhanced pension charge to Statement of Comprehensive Income	12	139
Total pension cost for year within staff costs	**4,593**	**3,759**

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

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

Notes to the Financial Statements (continued)

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 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 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. Retirement and other pension benefits are paid by public funds provided by Parliament.

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:

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

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

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

Notes to the Financial Statements (continued)

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 commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £2,058k (2016: £1,960k).

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Rhondda Cynon Taff County Borough Council (RCTCBC). The total contributions made for the year ended 31 July 2017 were £2,993k (2016: £2,103k), of which employer's contributions totalled £2,523k (2016: £1,660k) and employees' contributions totalled £470k (2016: £443k). The agreed contribution rates for future years are 14.9% 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 14.9% (previously 13.7%), 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 2016 to July 2017 of £231k (2015/16: £194k), which is included in the total employer contributions figures above.

Introduction

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

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 2016 and the contributions to be paid for the three-year period from 1 April 2017 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate.

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

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.

Risks associated with the Fund in relation to accounting

Asset volatility

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

Changes in Bond Yield

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result.

Inflation Risk

The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the deficit.

Life expectancy

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

Exiting employers

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

Principal actuarial assumptions:

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

	31 July 2017	31 July 2016	31 July 2015
Discount rate	2.6%	2.4%	3.6%
RPI inflation	3.1%	2.9%	3.2%
CPI inflation	2.0%	1.8%	2.1%
Pension increases	2.0%	1.8%	2.1%
Pension accounts revaluation rate	2.0%	1.8%	2.1%
Salary increases:			
- 1 August 2015 to 31 July 2019	3.25%	3.3%	3.0%
- 1 August 2019 thereafter	3.25%	3.3%	3.7%

Notes to the Financial Statements (continued)

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

	31 July 2017 No.	31 July 2016 No.
Males		
Member aged 65 at accounting date	22.8	23.1
Member aged 45 at accounting date	25.0	25.3
Female		
Member aged 65 at accounting date	24.9	26.0
Member aged 45 at accounting date	27.2	28.4

Asset allocation

	Value at 31 July 2017 %	Value at 31 July 2016 %
Equities	72.6%	70.0
Property	5.9%	6.3
Government bonds	9.4%	11.5
Corporate bonds	10.0%	10.1
Cash	2.1%	2.1
Total	100.0	100.0

Reconciliation of funded status to balance sheet

	Value as at 31 July 2017 £'000	Value as at 31 July 2016 £'000
Fair value of assets	44,530	38,810
Present value of funded defined benefit obligation	(65,000)	(66,160)
Liability recognised on the balance sheet	**(20,470)**	**(27,350)**

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

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

Amounts recognised in income statement

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Operating cost		
Current service cost	2,420	1,650
Past service cost	420	70
Financing cost		
Interest on net defined benefit liability	640	630
Pension expense recognised in income statement	**3,480**	**2,350**
Allowance for administration expenses included in Current Service Cost	40	30

Notes to the Financial Statements (continued)

Amounts recognised in other comprehensive income

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Asset gains arising during the year	3,780	3,160
Losses arising during the year	4,940	(11,480)
Total amount recognised in other comprehensive income	**8,720**	**(8,320)**

Changes to the present value of the defined benefit obligation

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Opening defined benefit obligation	66,160	51,980
Current service cost	2,420	1,650
Interest expense on defined benefit obligation	1,580	1,860
Contributions by participants	470	440
Actuarial losses on liabilities	(4,940)	11,480
Net benefits paid out	(1,110)	(1,320)
Past service cost	420	70
Closing defined benefit obligation	**65,000**	**66,160**

Changes to the fair value of assets

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Opening fair value of assets	38,810	34,090
Interest income on assets	940	1,230
Re-measurement gains on assets	3,780	3,160
Contributions by the employer	1,640	1,210
Contributions by participants	470	440
Net benefits paid out	(1,110)	(1,320)
Closing fair value of assets	**44,530**	**38,810**

Actual return on assets

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Interest income on assets	940	1,230
Gain on assets	3,780	3,160
Actual return on assets	**4,720**	**4,390**

26. Related Party Transactions

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

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

Notes to the Financial Statements (continued)

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.

27. Financial Contingency Fund

	Year ended 31 July 2017 £	Year ended 31 July 2016 £
Balance brought forward	169	150,594
Adjustment to balance brought forward	-	(103)
WG grant	824,242	954,739
Interest earned	124	822
	824,535	**1,106,052**
Disbursed to students		
Childcare	477,312	614,843
Books and equipment	10,374	13,996
Tuition, exam and registration fees	33,177	55,267
Transport	147,620	234,745
Accommodation / Trips	-	4,191
Other	117,401	154,642
Total disbursed to students	**785,884**	**1,077,684**
Administration costs	24,694	27,474
Bank charges	646	725
Total disbursements	**811,224**	**1,105,883**
Balance unspent at 31 July	**13,311**	**169**

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.