



Report and Financial Statements

Year ended 31 July 2020

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

The governing body presents its annual report, together with the audited financial statements and auditors' report for Coleg y Cymoedd for the year ended 31 July 2020.

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 Part 3 of the Charities Act 2011. Coleg y Cymoedd was created in August 2013 following the merger of Coleg Morgannwg and Ystrad Mynach College.

Public Benefit

Coleg y Cymoedd is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Welsh Government. The members of the Corporation Board, who are trustees of the charity, are disclosed on pages 15 to 16.

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 to approximately 9,511 students, including 1,592 students with high needs:

- 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.

The College adjusts its courses to meet the needs of local employers and provides training to 2,460 apprentices. The College is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background;

Mission, Vision and Core Values**Mission**

Governors, learners, staff and managers reviewed the College's mission during 2018/19 and in July 2019 adopted a revised mission statement as follows:

Our Mission is your Future Success**Vision**

To be recognised as an excellent College by learners, staff, business and communities.

Core Values

Our core values are that:

- We focus on learners
- We strive for high performance
- We value and invest in all people
- We seek continuous improvement

Strategic Report (continued)

- We are aspirational, we listen and collaborate
- We develop strong and effective partnerships

Implementation of the Strategic Plan for 2019-22

The Strategic Plan for Coleg y Cymoedd for the period 1 August 2019 to 31 July 2022 was approved by the Corporation Board on 8 July 2019.

The plan contained eight strategic aims and within each aim, a set of objectives were developed for the first academic year of the two-year cycle i.e. 2019/20. 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 eight strategic aims (2019-22) are listed below with an indication of progress against the strategic objectives which were set for 2019/20. The COVID 19 outbreak has had an impact on the achievement of a number of these objectives. In addition, the strategic objectives included within financial Aim 8 for 2020/21 are detailed at the end.

- **Aim 1 – To provide learners with the most effective information, advice and guidance which leads to successful recruitment and then progression to employment or higher studies.** There were four objectives set for 2019/20 – one has been achieved and three are progressing. Four new objectives have been set for 2020/21.
- **Aim 2 – To provide learners with a curriculum that is relevant and responsive to their needs and which develops their future aspirations.** There were three objectives set for 2019/20 – one was achieved, one is progressing and one has been carried forward to 2020/21. Three new objectives have been set for 2020/21.
- **Aim 3 – To deliver excellent teaching, learning and support which challenges all learners to achieve their maximum potential.** There were three objectives set for 2019/20 – one has been achieved and two are progressing. Five new objectives have been set for 2020/21.
- **Aim 4 – To inspire a culture which encourages continuous quality improvement.** There were four objectives set for 2019/20 – two have been achieved, one is progressing and one has been carried forward to 2020/21. Four new objectives have been set for 2020/21.
- **Aim 5 – Plan and support the development of Welsh language/bilingual services and curriculum provision across the College.** There were four objectives set for 2019/20 – three have been achieved and one is progressing. Four new objectives have been set for 2020/21.
- **Aim 6 – To develop a governance and leadership approach which provides an ethos of ongoing challenge and guidance, which develops trust, transparency and respect.** There were five objectives set for 2019/20 – four have been achieved and one is progressing. Six new objectives have been set for 2020/21.
- **Aim 7 – To be recognised as an excellent College for collaboration and partnership working. Meeting local, regional, national and international needs and priorities.** There were five objectives set for 2019/20 – three have been achieved and two are being revised to take account of the restrictions caused by Covid 19. Five new objectives have been set for 2020/21.
- **Aim 8 – To deploy all of the resources of the College, in a considered, responsible and sustainable manner in support of the mission, vision and core values.** There were four objectives set for 2019/20 – three have been achieved and one has been partially achieved. Four new objectives have been set for 2020/21.

Strategic Report (continued)

The College's financial objectives for 2020/21 are:

- **8.1** – Ensure a continual and consistent commitment to cost management is evidenced, in order to ensure value for money and to safeguard the financial health of the College.
- **8.2** – Alongside cost management to continue to grow and develop alternative income streams (not core FE funding) where possible. WBL to maintain contract level at £3.4m and a commercial target of £640k.
- **8.3** – Ensure that all investments in capital, equipment and staffing are planned, monitored and evaluated using appropriate data and responsibly support the strategic plan. The details of this commitment should be articulated to College management, governors and external bodies.
- **8.4** – Ensure that the audit needs of the College are planned, managed and reported in a timely fashion to the College management and governors and that all related compliance responsibilities are met.

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 Consistent Performance Measures data available from the WG which looks at all provision for post-16 providers across Wales. The College uses this data to compare its performance to other providers.

FINANCIAL POSITION**Financial results**

2019/20 was the seventh 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 2019/2020 £'000	Actual 2018/2019 £'000
Income	44,805	42,058
Expenditure	45,289	42,704
Deficit before other gains and losses	(484)	(646)
Total Comprehensive Expenses for the year	(20,573)	(4,850)
Surplus before other gains and losses (excluding FRS102 pension charges) *	1,756	1,614
Surplus (as * above) as % of income	3.9%	3.8%

Strategic Report (continued)

The College generated a deficit before other gains and losses in the year of £484k (2018/19: £646k), with total comprehensive expenses of £20,573k (2018/19: £4,850k). This large movement on total comprehensive expenses for the year is due primarily to the actuarial loss in respect of pension schemes in 2019/20 of £20,090k (2018/19: £4,140k).

The College has a deficit on its Income and Expenditure reserve of £11,425k (2019: surplus of £9,100k) and cash and short-term investment balances of £11,361k (2019: £10,967k). The accumulated reserves have decreased in the last year due to an increase in the defined benefit pension obligation of £22,330k. Cash and short-term investments have increased during the year as a result of a planned financial strategy to increase cash reserves to fund the Sports Centre of Excellence project, which started in 2019/20 and the refurbishment projects at Rhondda and Ystrad Mynach, which are part of the WG 21st Century Schools Band B Project.

Tangible fixed asset additions during the year amounted to £2,957k. This was split between assets under construction of £1,804k, land and buildings of £135k and equipment purchases of £1,018k. Assets under construction included the Sports Centre at Nantgarw and Band B works.

The College has significant reliance on the WG for its principal funding source, largely from recurrent grants. In 2019/20 the WG provided 90.14% (2018/19: 88.4%) of the College's total income. This increase has been due to the reduction in commercial activity income caused by COVID 19.

Impact on the College's results of pension costs

The College's results are significantly affected by the volatility arising from the accounting requirements for post-employment benefits set out in FRS 102. This accounting standard requires the College to account for the cost of its commitment to the Local Government Pension Scheme (LGPS) in respect of its business support staff. Accordingly, the charges to the income and expenditure account and the liabilities shown on the balance sheet are impacted by changes in actuarial assumptions and market movements in respect of the assets held by the pension scheme – both of which are outside the control of the College. The deficit for the year includes non-cash costs of £2.2m (2019 - £2.3m) arising as a result of accounting for the LGPS in accordance with FRS 102. The LGPS pension provision recognised on the balance sheet has increased in the year by £22.3m to £44.9m (2019 - £22.6m). In considering the impact of these accounting requirements on the College's financial position it should be noted that pension liabilities are, by their nature, long term obligations and that in meeting these obligations the College makes the level of employer contributions to the pension scheme recommended by an independent qualified actuary.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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

Cash flows and Liquidity

At £2.6m (2019: £3.4m), net cash flow from operating activities was reasonably strong. The net cash flow resulted from the management of resources.

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

Liquidity as measured by the Current Ratio decreased slightly to 1.87 in 2019/20 compared to 1.89 in 2018/19 and is higher than the Welsh average, which is 1.60 according to WG statistics for 2018/19. The Days of Net Liquid Assets Ratio reveals 91.6 days compared to 94 days in 2018/19. The sector average for 2018/19 was 69 days.

Cash flow remains healthy but will decrease over the next year, as the Sports Centre of Excellence project and Band B works at Ystrad Mynach gain momentum.

Strategic Report (continued)**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 a negative £11,425k (2019: positive £9,100k). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

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 year 1 August 2019 to 31 July 2020, the College paid 95.9 per cent of its invoices within 30 days (2019: 95.3%). 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).

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**COVID-19 Pandemic**

The academic year 2019-20 was disrupted significantly by the COVID-19 pandemic. Due to a national lockdown, the majority of staff worked from home between 20th March – 17th August. The pandemic meant that OFQUAL, Qualification Wales and Awarding Organisations were forced to reconsider assessment strategies and the grade calculations for learners who were due to complete examinations and coursework between May-July 2020. There is further uncertainty over the process of assessing learners and calculating grades during 2021/22. The College has taken a number of steps to ensure business continuity in 2020/21 by:

- Establishing an online enrolment process
- Allowing staff to work from home where it is possible to do so
- Enhancing the blended learning offer for all learners
- Delivering remote teaching and learning sessions to each group
- Investing in new lap top computers for both staff and learners
- Contributing to the consultations around assessment regimes for summer 2021

The College has considered the likely impact of COVID-19 within the forecast budget for 2020/21.

Student Numbers

In 2019/20 the College has delivered activity that has produced £30,828k in WG FE mainstream allocation funding (2018/19: £29,215k).

The College had approximately 4,900 full-time students, up slightly on the previous year, and a similar number of part-time students. Enrolment patterns by campus continued as in the previous year and in year investment in the Rhondda campus was partly designed to enhance the offer on our smallest campus through a thorough renovation of what is our oldest facility.

The percentage of local school leavers coming to the College remains consistent, with strong relationships with most schools developed through the schools' liaison project. Links with both the local authorities were strengthened in year through collaboration on key issues including a joint SLT meeting with the Caerphilly leadership group. Planned increases in enrolments were not fully achieved and the marketing of the College was tweaked to reflect our strength in curriculum offer, specialist facilities and specialist staff. The futures@cymoedd team also helped with the focus on destinations available to learners with qualifications that we offer, and there was an enhanced careers advice focus on the website and through the presence of employers and HE institutions at open events and through regular events during term time. Open events were much more about showing off the learner

Strategic Report (continued)

experience through more dynamic events, although COVID did force us to adopt virtual open events during lockdown which also received strong feedback from participants.

The area that we are looking at in closer detail is the recruitment of adults as opposed to school leavers, an issue which is affecting the broader FE sector in turbulent economic times. The College had invested in new software to support the application and enrolment processes to ensure that our conversion rate from application to enrolment was maximised and this was further adopted as the impact of lockdown on face to face interaction was felt. There were teething issues around data protocols but the year saw us adopt digital solutions in what is an increasingly digitised market for applications and enrolments.

Student Achievements

The quality monitoring processes applied in 2019/20, such as quality weeks and quality boards, indicated we would have improved our learner outcomes for the fifth consecutive year. Based on the estimated July retention figures shown on the next page, we estimate the College success rate for 2019/20 would have been 87%. This translates to a 1% improvement overall from 2018/19.

	School	Attainment Successful Completion		Attainment Successful Completion		Estimated Attainment Estimated Successful Completion	
		2017 - 18		2018 - 19		2019 - 20	
		A	SC	A	SC	Est. A	Est. SC
DA110	Care	92%	74%	93%	75%	93%	80%
DA120	Sport and Public Services	96%	87%	98%	90%	96%	89%
DA130	Vocational Access	99%	91%	99%	86%	99%	92%
DA210	Business and Finance	97%	82%	95%	80%	96%	83%
DA220	Catering	99%	92%	99%	92%	99%	92%
DA230	Hair and Beauty	95%	83%	95%	89%	95%	87%
DA240	Creative Industries	96%	87%	95%	87%	98%	92%
DA310	Construction	95%	84%	97%	84%	96%	88%
DA320	Engineering	94%	84%	93%	85%	93%	87%
DA330	Computing	99%	95%	98%	93%	98%	94%
DA610	A Level Centre	89%	84%	90%	85%	98%	93%
Whole College		90%	84%	95%	86%	95%	87%

The impact of COVID-19 on the results

The process of awarding qualifications in 2019-20 was considerably different to normal years. The conditions and requirements that had to be applied to this process were established by qualification regulators, with further interpretations and guidance communicated to the sector through the awarding organisations. Assessments completed before the 20th March were treated in the usual way, and were subject to the normal quality assurance procedures. A process of mitigation was applied to assessments scheduled to take place after the 20th March, categorised as follows.

Strategic Report (continued)**Calculated result**

Using a range of evidence such as learner's prior attainment, results of in-year formative assessment, and the attainment trends of the provider, a centre assessed grade (CAG) ensured learners received a result that allowed them to progress onto the next stage of learning or into the workplace. Calculated results were permitted across a range of knowledge-based qualifications, including A Levels and BTEC provision.

Some level 1 vocational qualifications, where there is a mix of knowledge-based assessment and competency-based assessment, also fell into this category. However, it should be noted that the decision to include many of these particular qualifications in this category was made late into the mitigation process. Prior to this decision, most qualifications that included competency-based assessments, were categorised as adapt or delay.

Adapted assessments

A calculated result was generally not permitted for vocational qualifications at level 2 or above, where assessments are used to demonstrate competency. In recognition that many of these assessments require the use of specialist equipment, which was unavailable to learners during lockdown, awarding organisations allowed providers to make adaptations to the assessments. In some cases, examples of practical work completed by learners as part of the training element of the course was used. Where there was insufficient material that could

be adapted, claiming the qualification had to be delayed until such time as the learners could complete the assessments in the normal way. This involved learners returning to campus.

In addition, awarding organisations decided not to include some of their qualifications in this category, insisting that all assessments had to be completed in the usual way.

Delayed assessments (June & July)

Provision was made for learners to attend College from the 15th June until the end of July, to complete assessments and any associated teaching that was required. Due to the large number of learners affected, and the operating restrictions associated with COVID-19, priority was given to those learners who were not planning on returning to study a full time course at College in September. This list typically included those learners completing level 3 qualifications, where the next step in their learning was higher education, part time study, and/or employment. Unfortunately, but understandably, not all learners were able to return to College during this period.

All of the qualifications delivered in the A-Level centre, and in the school of Creative Industries, were awarded through centre assessed grades. This was also largely the case for the school of Sport, Travel and Public Services, although there are delays to the fitness instructing and personal training qualifications.

The Education Minister for Welsh Government has confirmed as early as the 3rd of July that: "When I announced the cancellation of the 2020 summer examinations series, due to the coronavirus pandemic, I also confirmed that we would not be publishing performance measures. That decision covered all school and post-16 performance measures for the 2019/20 academic year." This acknowledgment that reaching definitive conclusions on 2019-20 is fraught with difficulty given the impact on assessment, has to be taken as a context for our analysis.

Whilst it is disappointing that, at present, we have not achieved the results we predicted, the additional delayed claims yet to be entered on dashboard, will close the gap and show a positive set of results overall.

We are proud of the way the College has supported the learners and staff during this difficult and very challenging time. Every effort was made to ensure learning continued during the lockdown period, with content delivery completed even after the lockdown and its associated messages were confirmed, and we are pleased that we have been able to support a significant number of learners achieve their qualifications where claims had to be delayed. We maintained our reputation for rigorous quality assurance throughout the mitigation process, and we have had very few appeals as a result.

The strategy for success adopted in Care was having a positive impact in the area. The school had been split into the two distinct areas of child care and social care and internal appointments were made to manage the areas in a collaborative manner. In an extraordinary year, the focus on retention appeared to have been paying dividends and the work put in to the adoption of new qualifications was impressive. The KPIs set for measurement of progress were adversely affected by the pandemic and so the picture is somewhat blurred. The area is generally acknowledged as one of the most affected by the pandemic in terms of both the lack of availability of work placements, but also the inconsistent approach to adaptations by the awarding organisations concerned. Had we not had the pandemic, and the impact of the new qualifications, the indicators were positive for this area.

Strategic Report (continued)**Curriculum changes**

In terms of the curriculum offer there were changes to the provision in Care in particular with the introduction of new curriculum at Level 2 across the board. The new qualifications are heavily influenced by the care industry

sector employers group and are very specific in terms of staff qualifications and experience. Assessment methods now revolve around case studies and tests and the Level 3 qualifications were due for release ready for implementation in 2020/21.

Curriculum changes are imminent for construction and IT and the College was active in the discussions around these changes.

The SLT was restructured at executive level with the appointment of a Vice Principal/ Chief Operating Officer on 1 August 2019, who joined the Principal/CEO and Vice-Principal-Academic. This change has been an extremely positive one for the College and has enabled a key focus on the business support areas and compliance. Significant improvements were made in terms of evidence based decision making to ensure resources across the College were used appropriately and effectively. There were also two new appointments to the SLT in year, both internal promotions. The Assistant Principal for teaching and learning post was filled by the previous head of School for Sport, Travel and Public Services and the new Assistant Principal for Learner experience was filled by the previous Head of School for Skills. Both appointees have had a positive impact on their new areas and both have clear objectives in the newly adopted Strategic Plan.

The Business and International Services Faculty (BIS) continued to do well, with increased delivery of apprenticeships through the work-based learning contract with Skills Academy Wales. In terms of commercial income, the planned activities were stalled in March as a result of the national lockdown. This meant that the income target was not achieved but significant savings were made within BIS and across the College which more than offset the reduced income.

Future Prospects

The College continues to invest in facilities on all four campuses in order to enhance the learner experience and recruit and retain more learners.

In 2019-20 we began work on the Band B project to both refurbish and invest in new facilities on the Rhondda campus. The works will eventually improve the utilities and invest in new catering and flexible display spaces. It is hoped that the facilities will be used by the public more regularly, especially from a sports and catering viewpoint, as the campus is one that sits at the heart of its local community and a greater profile of its facilities is key to growing learner numbers in the long term.

COVID delayed the approval and the start of the sports facility at Nantgarw and the build part of this project is now due to start in the spring of 2021. Further planning processes were started in year for the substantial next phase of Band B investment centred around the Ystrad Mynach campus.

The new structure of SLT, and the newly adopted strategic plan should continue to reap benefits in the new post COVID world. The College has responded impressively to the pandemic but is faced with ongoing challenges in all aspects of its operation. A continued open and collaborative approach to the changes that we will have to make to thrive is key and so far this approach is paying off, with regular staff feedback being positive about the approach we are taking, and equally importantly, the support we are trying to give to our staff and learners mental health and wellbeing.

RESOURCES**Tangible**

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include four campuses, a new Sports Centre under construction in Nantgarw (approx. £5.2m) and £12.7m held in current assets. Included in current assets is £5m held in short term deposits, which it plans to use for capital investment in the Sports Centre and Band B refurbishment works to the Rhondda and Ystrad Mynach campuses.

Financial

The College has negative net assets of £6.8m (including £45m pension liability) and long-term debt of £5.3m. The reason for this is the increase in the pension liability from £22.6m in 2019 to £45m in 2020.

Strategic Report (continued)**People**

The College employs 630 staff (expressed as full time equivalents), of whom 311 are teaching staff. The College enrolled approximately 9,511 students. The College's student population includes 3,477 aged 16 to 18, 2,460 apprentices, 378 higher education students, 342 international students and 5,968 adult learners.

Reputation

The College is continuing to maintain its good reputation through active involvement in regional, local and national issues, and through its continual improvement in its quality profile. The investment levels of recent years are seen as an indicator of ambition for both our learners and the communities that we serve, and the willingness of the College to commit its time and staffing to key initiatives is appreciated. The College continues to contribute to the wider economy through its membership of the CBI Wales Council, the membership (and host & chair) of the Caerphilly Business Club and the Treforest Growth Group, hosted at Nantgarw campus. It has also seen a significant increase in training and apprenticeship opportunities associated with the rail industry, and the specialist rail facilities at Nantgarw means that the College is well-placed to support the changes to the transport infrastructure in Wales.

Going Concern

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

1. Government funding

The College is committed to growing and developing alternative income streams wherever such opportunities arise. In particular, the College has developed its commercial activities over the past 3 years. This proved to be very challenging between March - July 2020 due to the COVID-19 pandemic.

The College continues to respond to emerging pots of WG funding. In the last 12 months, the College has been successful in gaining additional funding through the Skills Development Fund, Digital 2030 funding and the Professional Development Fund.

Whilst the FE sector has been protected from substantive cuts both in recent years and during the COVID-19 pandemic, there are the following concerns:

- The threat of further reductions in public sector spending make it risky to plan investment;
- The PCET model remains clouded in its potential impact on the College;
- Public sector pay pressures triggered by teachers pay agreements and the inconsistent model when funding pay rises across the sectors remains a concern, funding rates have not matched the cost pressures on the sector in recent years and so there is concern about unfunded pay pressures;
- The potential decline of European funding;
- The continuing state of flux in work based learning contracts.

Strategic Report (continued)

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. Funding of pension liabilities

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

3. Increasing costs

The pay movements in the teaching sector in 2019/20 was partially supported by an additional pay grant from Welsh Government -with the College funding 1%, which had been included in the budget. In September 2019 there was an increase in employer's pension contribution rates for the TPA from 16.48% to 23.68%, which equates to an annual increase in pension costs of approximately £800k. The core FE grant was increased for 2019/20 to cover the extra costs associated with increasing pension and NI costs.

There is concern about future pay and pension increases and how this will be funded because whilst the Education Minister articulates a wish to ensure pay parity for school and FE teachers, this does not necessarily come with guaranteed funding.

Stakeholders

Coleg y Cymoedd has many stakeholders, including:

- Its current, future and past students;
- Its staff and their trade unions. The main trade unions of which Coleg y Cymoedd staff are members are GMB, NEU, UCU and UNISON;
- The Welsh Government;
- The employers it works with.
- Its partner schools and universities;
- Local authorities and local partnerships;
- The wider College community;
- 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, including ethnicity, gender, sexual orientation, disability, gender identity, religion or belief, marital status, age and pregnancy/maternity and we strive vigorously to remove conditions which place people at a disadvantage.

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

Strategic Report (continued)

The College's Equality and Diversity committee continues to meet termly to monitor the actions of the strategic equality plan and to ensure that the equality and diversity agenda is progressed. The committee refreshed its staff membership this year in order to ensure it is fully representative of all staff groups, including academic, business support staff and managers, across all campuses.

During 2019/2020 we have continued to raise awareness of Equality and Diversity issues throughout the College. We promote a calendar of National Awareness days via email, intranet and social media, such events have included: International Day against Homophobia, Biphobia and Transphobia, LGBT History Month, Holocaust Memorial Day, Black History Month, Hate Crime Awareness Week and Anti Bullying Week. The College also hosted a public event during LGBT History Month and supported community events during Pride month.

The College made our fourth submission to the Workplace Equality Index in September 2019. The Index is Stonewall's benchmarking tool for LGBT inclusion in the workplace. For this submission we successfully made the Top100 employers list in the UK, the only Further Education College to achieve this from over 500 employers from across all sectors in the UK making a submission to the index.

As part of our commitment to supporting Trans staff and learners, trans awareness sessions which had previously been delivered to the College's Senior Leadership Team and College Management Team were introduced for all staff across the College. This session has now been developed into an online module and is available for all staff to complete.

Coleg y Cymoedd continues to work towards making our workplace the best it can be for pregnant women and new mothers. As a member of the Working Forward Initiative developed by the Equality and Human Rights

Commission, we ensure our maternity policies and practices are communicated to all employees and ensure that line managers are regularly involved in the maternity process.

The College promotes the establishment of staff networks and this year has seen the introduction of a Carers Staff network. The College has become a member of Employers for Carers (Carers Wales) and is raising awareness amongst staff of the difficulties of caring responsibilities alongside working, and is providing support to those staff that are affected.

In March 2020, the College reported a mean Gender Pay Gap of 4.9%. We continue to monitor the causes which have resulted in this gender pay gap and develop actions which are intended to reduce this. We will continue to monitor our gender pay gap profile on an annual basis.

We continue to give staff and learners the confidence to provide their equality data for data monitoring purposes to ensure our employment practices and services are effective for all protected characteristic groups. Considerable gaps in data remain, although an increase in declaration rates has been achieved. Data from exit questionnaires and complaints and grievances relating to both staff and learners are monitored to ensure that any equality and diversity issues are addressed.

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;

Strategic Report (continued)

- 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.

COVID-19 had a significant impact on energy consumption as the majority of staff worked from home between 20th March – 17th August. Gas consumption dropped by 12% when comparing against the same period in 2019. Electricity consumption dropped by 14% when comparing against the same period in 2019. Waste generated and water consumption also dropped significantly as a result of COVID-19

Environmental performance on campus was improved by replacing a number of time served boilers and pumps sets with modern efficient equipment:

- On the Rhondda campus, new energy efficient condensing boilers were installed in C block. In D block time served DHW pump set were replaced with an energy efficient pump set. In P Block, the time served boiler and pump set has been replaced by condensing modulating boilers and efficient modern pumps.
- On the Ystrad Mynach campus, time served inefficient pump set have been replaced by energy efficient pump set in C block. In G block, the time served boiler was replaced with energy efficient condensing boiler. in D Block, the time served pump set was replaced with energy efficient pump set. In F block, time served boiler and pump set has been replaced by a modern condensing boiler and new energy efficient pump set. In E block time served boiler, hot water calorifier and pump set are to be replaced by new condensing modulating boilers and new energy efficient pump set.
- All external car park lighting at Ystrad and Nantgarw have been replaced by LED energy efficient Lighting.
- 8 New electric vehicle chargers have been purchased and 2 units are to be installed at each campus.

Professional advisers**Bankers:**

Lloyds Bank
St William House
Tresillian Terrace
Cardiff
CF10 5BH

Santander UK plc
9 Queen Street
Cardiff
CF10 2UD

HSBC
1st Floor
1 Callaghan Square
Cardiff
CF10 5BT

Financial Statements Independent Auditors:

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

Internal Auditors:

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

Solicitors:

Capital Law
Capital Building
Tyndall Street
Cardiff
CF10 4AZ

Strategic Report (continued)

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 14th December 2020 and signed on its behalf by:

A handwritten signature in dark ink, appearing to read 'N Bayford', is written over a faint, light-colored rectangular stamp or watermark.

N Bayford
Chair of Governors

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Welsh Government (WG) and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*, the Accounts Direction for Further Education Colleges in Wales for 2019/20 (issued by the Welsh Government) and the UK's Generally Accepted Accounting Principles, and which give a true and fair view of the state of affairs of the College and its surplus/deficit of income over expenditure for that 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Assess whether the College is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the financial statements and auditor's report);
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

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

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

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

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

Approved by order of the Members of the Corporation on 14 December 2020 and signed on its behalf by:



N Bayford
Chair of Governors

Statement of Corporate Governance and Internal Control**Governance Statement**

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for Colleges in Wales issued by ColegauCymru / Colleges Wales in 2016, which it formally adopted on 21 March 2016.

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

The Corporation

The members who served on the Corporation during the year were as listed in the table below.

NAME	STATUS OF APPOINTMENT	DATE APPOINTED/ RE-APPOINTED/ DATE OF RESIGNATION	COMMITTEES SERVED	ATTENDANCE	
				BOARD	CMTTES
N Bayford (Chair)	Member	01/08/13 Appointed 01/08/15 Re-appointed 01/08/19 Re-appointed	Resources Remuneration (Chair) Search (Chair) Selection (Chair)	4/4	8/8
F Bevan-Patterson	Student Member	29/10/19 Appointed 28/06/20 Re-appointed	Curriculum & Quality	3/3	2/3
C Bradshaw	Member	01/08/13 Appointed 01/08/17 Re-appointed	Curriculum & Quality	3/4	1/3
D Bull	Member	01/08/13 Appointed 01/08/15 Re-appointed 01/08/19 Re-appointed	Audit (Chair) Search	4/4	6/8
T Dancovici	Staff Member	20/06/19 Appointed	Curriculum & Quality	4/4	2/3
S Davies	Member	01/10/18 Appointed	Resources (Vice-Chair)	3/4	2/3
A Diplock	Member	01/09/17 Appointed	Resources Search, Remuneration	3/4	7/8
R Evans	Member	01/06/18 Appointed Co-opted Member 01/10/18 Appointed full Member	Curriculum & Quality (Vice-Chair)	3/4	3/3
S Farquharson	Member	01/01/15 Appointed 01/08/19 Re-appointed	Curriculum & Quality	2/4	3/3
R Fullylove	Staff Member	27/11/19 Appointed	Resources	2/3	2/2
M Harding	Member	01/08/13 Appointed 01/08/16 Re-appointed 30/03/20 Re-appointed	Curriculum & Quality (Chair) Search, Remuneration	4/4	7/8
E J Hope	Member	01/01/18 Appointed	Audit	3/4	2/4
K James	Staff Member	01/08/17 Appointed 17/10/19 Resigned	Resources	1/1	N/A

NAME	STATUS OF APPOINTMENT	DATE APPOINTED/ RE-APPOINTED/ DATE OF RESIGNATION	COMMITTEES SERVED	ATTENDANCE	
				BOARD	CMTTES
K Kerswell	Member	30/09/19 Appointed	Audit	2/3	2/3
M Lippard	Member	01/08/13 Appointed 01/08/16 Re-appointed 30/03/20 Re-appointed	Resources	3/4	3/3
K Phillips	Principal	01/01/19 Appointed	Resources Search Curriculum & Quality	4/4	10/10
Cllr J Rosser	Member	01/08/17 Appointed	Audit	2/4	4/4
J Rosser	Student Member	17/10/19 Appointed 28/06/20 Re-appointed	Curriculum & Quality	2/3	2/3
Dr P Smart (Vice-Chair)	Member	01/08/13 Appointed 01/08/15 Re-appointed 01/08/19 Re-appointed	Resources (Chair) Search (Vice-Chair) Remuneration (Vice-Chair)	3/4	7/8
C Thomas	Member	01/11/16 Appointed 30/03/20 Re-appointed	Resources	3/4	2/3
P Wright	Member	25/04/18 Appointed	Audit (Vice-Chair)	3/4	4/4
Committee Co-optees					
J Gilmore	Co-opted Committee Member	01/08/13 Appointed 01/08/17 Re-appointed	Resources	N/A	2/3
M Coburn- Hughes	Co-opted Committee Member	16/12/19 Appointed	Audit	N/A	1/2
Governance Officer to the Corporation: J Owen					

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 Resources, Audit, Search, Selection, Remuneration and Curriculum and Quality. In addition, the Corporation complies with the College's Code of Conduct for Governors, Code of Ethics, Policy Statement on Openness and Standing Orders. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Governance Officer to the Corporation at:

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

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

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

Statement of Corporate Governance and Internal Control (continued)

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 Chair and Accounting Officer are separate.

Appointments to the Corporation

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

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

Corporation Committees

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

Resources Committee

The Resources Committee combines Finance and Estates and Employment Policy areas of the College. Particular attention is given to monthly management accounts, re-forecasts, and the annual budget. It examines the Strategic Plan and monitors financial performance accordingly. It also considers the College's Estates Strategy. In addition, the committee considers all policy aspects of human resources including the management of health and safety of students, staff and the public.

Audit Committee

The Audit Committee comprises a minimum of five members of the Corporation. The Principal/Accounting Officer is not a member of this Committee and it does not contain any member who is a member of the Resources 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 who are able to provide valuable expertise to the College may also be co-opted. The Committee receives reports from the Corporation's internal and external auditors as well as WG audit/compliance service and Audit Wales.

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.

Statement of Corporate Governance and Internal Control (continued)Search Committee

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

Selection Committee

The Selection Committee is responsible for the recruitment, selection and interviewing of any senior post-holder and the Governance Officer, recommending their appointment and starting salary.

Remuneration Committee

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

Details of remuneration for the year ended 31 July 2020 is set out in note 8 to the financial statements.

College Committees

In addition to the Strategic Leadership Team (SLT) that meets every three weeks, the College Management Team (CMT) also meets every six weeks and an Operational Management Team (OMT), comprising the SLT together with the three Directors of Finance, Infrastructure and Human Resources also has two meetings per term. The SLT and CMT receive regular reports on enrolment statistics and trends, with performance against targets providing the basis of the strategic plan. At CMT, in Principal Updates and in the Principal's reports to the Corporation Board meetings, progress against the three key indicators of outcomes, finances and recruitment are reported. The CMT and the OMT receive regular reports on the management accounts, the OMT focusses on all aspects of finance, estates, human resource and digital developments. These groups act as both a provider of vital information to the Corporation and its committees and ensures that the policies of the Corporation are implemented and risk assessed.

The College has three committees that meet each term. The Health, Safety and Wellbeing Committee advises the Strategic Leadership Team and the Corporation, through the Resources 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 Resources Committee. The Equality and Diversity Committee advises the Strategic Leadership Team and the Corporation, through the Resources Committee, on all aspects of equality, diversity and inclusion. It submits an annual report to the Resources Committee. The Compliance Committee advises the Strategic Leadership Team and the Corporation, through the Resources Committee, on compliance issues such as the Welsh language standards, information security and data protection.

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.

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.

Statement of Corporate Governance and Internal Control (continued)***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 2020 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 2020 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

Review of effectiveness

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

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

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

Statement of Corporate Governance and Internal Control (continued)

The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by their risk awareness training. The senior leadership team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior leadership team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2020 meeting the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior leadership team and internal audit, and taking account of events since 31 July 2020.

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

Going Concern

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

Statement of Regularity, Propriety and Compliance

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

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

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

Approved by order of the Members of the Corporation on 14 December 2020 and signed on its behalf by:



N Bayford
Chair of Governors



K Phillips
Principal/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 (the "financial statements"):

- give a true and fair view of the state of the institution's affairs as at 31 July 2020, and of the income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been properly prepared in accordance with the Accounts Direction issued by the Welsh Government.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise the Balance Sheet as at 31 July 2020; the Statement of Comprehensive Income and Expenditure for the year then ended; the Statement of Changes in Reserves for the year then ended; the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

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 14, 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
Chartered Accountants and Statutory Auditors
Cardiff
Date:

Statement of Comprehensive Income and Expenditure for the year ended 31 July 2020

	Notes	2019/20 £'000	2018/19 £'000
INCOME			
Funding body grants	2	40,389	37,160
Tuition fees and education contracts	3	1,943	2,052
Other grants and contracts	4	866	910
Other income	5	1,537	1,888
Investment income	6	70	48
Total income		44,805	42,058
EXPENDITURE			
Staff costs	7	30,576	29,402
Other operating expenses	9	10,877	9,673
Depreciation	12	3,193	3,026
Interest and other finance costs	10	643	603
Total expenditure		45,289	42,704
Deficit before other gains and losses		(484)	(646)
Profit / (loss) on disposal of assets		1	(64)
Deficit for the year		(483)	(710)
Actuarial loss in respect of pension schemes		(20,090)	(4,140)
Total Comprehensive Expense for the year		(20,573)	(4,850)
Represented by:			
Unrestricted comprehensive expense		(20,573)	(4,850)
		(20,573)	(4,850)

Statement of Changes in Reserves for the year ended 31 July 2020

	Income and Expenditure Account £'000	Revaluation Reserve £'000	Total Unrestricted Reserves £'000
Balance as at 1st August 2018	13,903	4,743	18,646
Deficit for the year	(710)	-	(710)
Other comprehensive expense	(4,140)	-	(4,140)
Transfers between revaluation and income and expenditure reserves	47	(47)	-
Total comprehensive expense for the year	(4,803)	(47)	(4,850)
Balance at 31st July 2019	9,100	4,696	13,796
Deficit for the year	(483)	-	(483)
Other comprehensive expense	(20,090)	-	(20,090)
Transfers between revaluation and income and expenditure reserves	48	(48)	-
Total comprehensive expense for the year	(20,525)	(48)	(20,573)
Balance as at 31st July 2020	(11,425)	4,648	(6,777)

Balance Sheet as at 31 July 2020

	Note	2019/20 £'000	2018/19 £'000
Non-current assets			
Tangible fixed assets	12	87,277	87,514
		87,277	87,514
Current assets			
Trade and other receivables	13	1,391	1,499
Investments	14	-	4,500
Cash and cash equivalents	19	11,361	6,467
		12,752	12,466
Creditors - amounts falling due within one year	15	(6,825)	(6,604)
Net current assets		5,927	5,862
Total assets less current liabilities		93,204	93,376
Creditors - amounts falling due after more than one year	16	(53,569)	(55,570)
Provisions			
Defined benefit pension obligations	18	(44,898)	(22,568)
Other provisions	18	(1,514)	(1,442)
TOTAL NET (LIABILITIES) / ASSETS		(6,777)	13,796
Unrestricted Reserves			
Income and expenditure account		(11,425)	9,100
Revaluation reserve		4,648	4,696
TOTAL UNRESTRICTED RESERVES		(6,777)	13,796

The financial statements on pages 24 to 47 were approved and authorised for issue by the Corporation on 14 December 2020 and were signed on its behalf on that date by:



N Bayford
Chair of Governors



K Phillips
Principal/Accounting Officer

Statement of Cash Flows FOR THE YEAR ENDED 31 July 2020

	Note	2019/20 £'000	2018/19 £'000
Cash flow from operating activities			
Deficit for the year		(483)	(710)
Adjustment for non-cash items			
Depreciation		3,193	3,026
Decrease in debtors		99	37
(Decrease) / increase in creditors due within one year		(634)	546
Increase in provisions		72	31
Pensions costs less contributions payable		1,760	1,830
Pension finance cost		480	430
Deferred capital grants released to income		(1,973)	(1,952)
Adjustment for investing or financing activities			
Investment income receivable		(70)	(48)
Interest payable		163	173
Loss on sale of fixed assets		-	64
Net cash flow from operating activities		2,607	3,427
Cash flows from investing activities			
Proceeds from sale of fixed assets		1	6
Investment income received		79	48
Withdrawal of deposits		4,500	-
New deposits		-	(3,500)
Payments made to acquire fixed assets		(2,957)	(1,047)
VAT refund re: fixed assets		-	1,262
Deferred capital grants received		1,475	678
		3,098	(2,553)
Cash flows from financing activities			
Interest paid		(164)	(173)
New secured loans		-	1,150
Repayments of amounts borrowed		(647)	(541)
		(811)	436
Increase in cash and cash equivalents in the year	19	4,894	1,310
Cash and cash equivalents at beginning of the year		6,467	5,157
Cash and cash equivalents at end of the year		11,361	6,467

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

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP)*, the *WG College Accounts Direction for 2019 to 2020* 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 fixed assets.

Going Concern

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

The College currently has £5.93m of loans outstanding with bankers (both secured and unsecured) on terms negotiated in 2010, 2012, 2016 and 2018. The terms of the existing agreements are for up to another 16 years, with £0.6m being payable next year. 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 accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits.

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

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

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

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

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

Fee income

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

Investment income

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

European income

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

Other income

Other income is recognised when the institution 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.

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 certain discretionary support funds. Related payments received from the Welsh Government and subsequent disbursements to students are excluded from the income and expenditure of the College and are shown separately in note 26, except for the 3 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Financial Contingency Fund applications and payments.

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

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

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

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

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

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

Short-term Employment benefits

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

Enhanced pensions

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

Non-current assets – Tangible Fixed Assets

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

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

Land and buildings

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

Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful economic lives to the College, which is normally between 10 and 60 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic lives.

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

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

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

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

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

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

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

Impairment review

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts 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). 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.

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

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

Cash and cash equivalents

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

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

Financial Instruments

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short-term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

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 year 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.

Notes to the Financial Statements (continued)

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. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- **Tangible fixed assets**

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

- **Local Government Pension Scheme**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. Funding body grants

	2019/20	2018/19
	£'000	£'000
Core Recurrent funding	30,828	29,215
Other recurrent funding	3,931	2,652
Release of WG capital grants	1,683	1,676
Work-based learning	3,947	3,617
Total	40,389	37,160

Notes to the Financial Statements (continued)

3. Tuition Fees and Education Contracts

	2019/20 £'000	2018/19 £'000
EU (including home) tuition fees	340	385
HE fees	964	1,068
Examination fees and expenses (non-EU community)	42	49
Total fees paid by or on behalf of individual students	1,346	1,502
Education contracts		
Higher Education income	254	261
Other contracts (including Local Education Authority)	343	289
Total	1,943	2,052

4. Other Grants and Contracts

	2019/20 £'000	2018/19 £'000
European Commission grants	789	848
Other grants and contracts	77	62
Total	866	910

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

	2019/20 £'000	2018/19 £'000
Income received from WEFO	1,092	1,262
Payments to other Partners	(303)	(414)
College Expenses	(595)	(536)
Total	194	312

5. Other Income

	2019/20 £'000	2018/19 £'000
Catering	34	23
Releases from deferred capital grants (Non-WG)	290	276
Other income-generating activities	396	684
Other income	817	905
Total	1,537	1,888

6. Investment Income

	2019/20 £'000	2018/19 £'000
Interest receivable	70	48
Total	70	48

Notes to the Financial Statements (continued)

7. Staff Costs

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

	2019/20		2018/19 Restated	
	No.	£'000	No.	£'000
Teaching and learning departments	311	16,053	322	14,914
Teaching and learning support services	127	4,578	129	4,409
Other support services	75	2,756	75	2,626
Administration and central services	83	4,002	85	4,215
General education expenditure	3	124	3	117
Premises	24	833	21	799
Other income generating activities	7	251	7	255
Sub-Total	630	28,597	642	27,335
Staff restructuring		30		70
Enhanced pension charge		189		167
FRS102 pension top-up charge (note 24)		1,760		1,830
Total		30,576		29,402

Staff costs

	2019/20 £'000	2018/19 £'000
Wages and salaries	21,868	21,576
Social security costs	2,108	2,120
Other pension costs	6,570	5,636
Payroll sub total	30,546	29,332
Restructuring costs* - Contractual	28	24
- Non-contractual	2	46
Total staff costs	30,576	29,402

*During the year a voluntary restructuring exercise took place, resulting in a release of 1(2019: 2) member(s) of staff at a cost of £30k (2019: £70k).

A pay award of 2.75% for all staff (with the exception of those staff on MG1 who received 5%) was approved by the Corporation with effect from 1 August 2019 (2018: between 1.5% and 4.5% (dependant on job roles/grades)).

The college had two salary sacrifice schemes in place during the year - Cycle to work scheme and Childcare Voucher Scheme, both of which are available to all staff.

8. Key management personnel

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

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

	2019/20 No.	2019/20 FTE No.	2018/19 No.	2018/19 FTE No.
The number of key management personnel including the Principal/Accounting Officer was:	8	6.75	8	7.42

Notes to the Financial Statements (continued)

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:

	2019/20 FTE No.	2018/19 FTE No.
£60,001 to £65,000	0.42	4.25
£65,001 to £70,000	3.33	-
£80,001 to £85,000	-	0.75
£85,001 to £90,000	2.0	1.0
£95,001 to £100,000	-	0.42
£135,001 - £140,000	-	0.58
£140,001 - £145,000	1.0	-
£145,001 - £150,000	-	0.42
Total	6.75	7.42

Key management personnel emoluments are made up as follows:

	2019/20 £	2018/19 £
Basic salaries	563,596	658,721
Benefits in kind	4,373	8,050
	567,969	666,771
Pension contributions	118,296	96,692
Total key management personnel emoluments	686,265	763,463

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

	2019/20 £	2018/19 Principal 1 (fte 0.42) 01/08/18 – 31/12/18 £	2018/19 Principal 2 (fte 0.58) 01/01/19 – 31/07/19
Basic salary	141,795	65,527	80,500
Benefits in kind	1,650	4,840	696
	143,445	70,367	81,196
Pension contributions	25,240	10,056	13,432
Total emoluments	168,685	80,423	94,628

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

The remuneration package of key management staff, including the Principal and Vice Principals, is subject to annual review by the Remuneration Committee of the governing body, who, being mindful of the Code of Good Governance for Colleges in Wales 2016, justify the remuneration after consideration of the following:

- The performance of both the College and individuals;
- Any recommended pay increase for all staff as advised by Welsh Government;
- Benchmarking data, which can include information from other Colleges, Association of Colleges (AOC) or similar.

The Assistant Principals received the same pay award as all other College staff.

Notes to the Financial Statements (continued)

One member of the key management personnel took advantage of the College's cycle to work salary sacrifice scheme in 2019/20.

Relationship of Principal / Chief Executive pay and remuneration expressed as a multiple

	2019/20	2018/19
Principal's basic salary as a multiple of the median of all staff *	4.49	4.07
Principal and CEO's total remuneration as a multiple of the median of all staff #	4.48	4.13

* Principal's basic salary divided by the median basic pay of all other College employees (all on a full time equivalent basis).

Principal's total emoluments divided by the median pay of all other College employees (all on a full time equivalent basis).

In these calculations all employees monthly FTE salary and employer pension contributions were amalgamated into an annual FTE salary (both with and without employer's pension contributions), sorted by amount and the median found. Agency workers paid by invoice were excluded from this calculation.

Compensation for loss of office paid to former key management personnel

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

	2019/20 No. of Staff	2019/20 £	2018/19 No. of Staff	2018/19 £
Compensation paid to former post-holders - contractual	-	-	1	11,025
Estimated value of other benefits, including provisions for pension benefits	-	-	1	44,219

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

	2019/20 No. of Governors	2019/20 £	2018/19 No. of Governors	2018/19 £
Travel expenses	4	523	3	892

9. Other Operating Expenses

	2019/20 £'000	2018/19 £'000
Teaching costs	3,573	2,845
Non – teaching costs	3,772	3,745
Premises costs	3,532	3,083
Total	10,877	9,673

Notes to the Financial Statements (continued)

	2019/20 £'000	2018/19 £'000
Other operating expenses include:		
Auditors' remuneration		
- Financial statements audit	35	34
- Other services provided by the financial statements auditors	10	16
- Internal audit	15	23
Profit / (loss on disposal of non-current assets	1	(65)
Hire of assets operating leases	44	36

10. Interest and Other Finance Costs

	2019/20 £'000	2018/19 £'000
On bank loans, overdrafts and other loans	163	173
	163	173
Net interest on defined pension liability (Note 25)	480	430
Total	643	603

11. Taxation

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

12. Tangible Fixed Assets

	Freehold land and buildings £'000	Assets under construction £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2019	105,103	25	8,824	113,952
Additions	135	1,804	1,018	2,957
Disposals	-	-	(1)	(1)
At 31 July 2020	105,238	1,829	9,841	116,908
Accumulated depreciation				
At 1 August 2019	(19,792)	-	(6,646)	(26,438)
Charge for the year	(2,246)	-	(947)	(3,193)
At 31 July 2020	(22,038)	-	(7,593)	(29,631)
Net book value at 31 July 2020	83,200	1,829	2,248	87,277
Net book value at 31 July 2019	85,311	25	2,178	87,514
Inherited	4,648	-	-	4,648
Financed by capital grant	50,564	883	1,354	52,801
Other	27,988	946	894	29,828
Net book value at 31 July 2020	83,200	1,829	2,248	87,277

Notes to the Financial Statements (continued)

13. Trade and other Receivables

	2019/20 £'000	2018/19 £'000
Trade receivables	189	123
Prepayments and accrued income	1,202	1,376
	1,391	1,499

14. Investments

	2019/20 £'000	2018/19 £'000
Short-term deposits	-	4,500

Investments of £5m held in a 35 day notice account are included in cash and cash equivalents.

15. Creditors - Amounts Falling Due Within One Year

	2019/20 £'000	2018/19 £'000
Loans	645	664
Trade payables	456	478
Other taxation and social security	527	551
Accruals and deferred income - WG	311	884
Non-WG *	2,459	2,475
Deferred income – capital grants - WG	2,137	1,264
Non-WG	290	288
	6,825	6,604

* Accruals and deferred income (non-WG) include an amount of £974k (2019: £1,077k) in respect of accrued holiday pay.

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

	2019/20 £'000	2018/19 £'000
Loans	5,281	5,909
Deferred income – capital grants – WG	39,288	40,378
Non-WG	9,000	9,283
	53,569	55,570

17. Maturity of Debt

Loans

Loans are repayable as follows:

	2019/20 £'000	2018/19 £'000
In one year or less	645	664
Between one and two years	458	625
Between two and five years	1,415	1,395
In five years or more	3,408	3,889
	5,926	6,573

Notes to the Financial Statements (continued)

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

Other loans provided by Salix Finance Ltd are interest-free and repayable by half-yearly instalments falling due between 1 April 2015 and 1 April 2025 totalling £86k, 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.

The HSBC bank loan of £450k is repayable monthly from January 2019 to June 2021, at a rate of 2.25% and is secured.

The HSBC bank loan of £700k is repayable monthly from January 2019 to December 2028, at a rate of 2.25% and is secured.

18. Provisions

	Defined benefit pension obligations £'000	Restructuring £'000	Enhanced Pensions £'000	Total £'000
At 1 August 2019	22,568	1	1,441	24,010
Utilised in Year	-	(1)	(115)	(116)
Additional provision in year	22,330	-	188	22,518
At 31 July 2020	44,898	-	1,514	46,412

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 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.

19. Analysis of changes in net debt

	At 1 August 2019 £'000	Cash flows £'000	Other non- cash changes £'000	At 31 July 2020 £'000
Cash and cash equivalents				
Cash	5,965	394		6,359
Cash equivalents	502	4,500		5,002
	6,467	4,894		11,361
Borrowings				
Debt due within one year	(664)	647	(628)	(645)
Debt due after one year	(5,909)		628	(5,281)
	(6,573)	647	-	(5,926)
Total	(106)	5,541	-	5,435

Cash equivalents include £5m deposited in a 35 day notice account.

Notes to the Financial Statements (continued)

20. Capital and other Commitments

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Commitments contracted for at 31 July	2,060	112
Authorised but not contracted at 31 July	10,832	14,000

Capital and other commitments contracted for at 31 July 2020 relate to Band B works £2,040k and outstanding orders at year-end £20k.

Authorised commitments not contracted for consist of £6.1m for WG Band B projects and £4.7m for the Sports Centre of Excellence build at Nantgarw.

21. Lease obligations

At 31 July 2020 and 2019 the College had minimum lease payments under non-cancellable operating leases as follows:

	2019/20 £'000	2018/19 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	32	32
Later than one year and not later than five years	129	129
Later than five years	170	202
	331	363
Other		
Not later than one year	40	43
Later than one year and not later than five years	21	59
Later than five years	-	2
	61	104

22. Contingencies

There are no contingent assets or liabilities at the end of the reporting period (2018/19: none).

23. Events after the end of the reporting period

There are no events after the reporting period.

24. Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was at 31 March 2016 and the LGPS at 31 March 2019.

Notes to the Financial Statements (continued)

	2019/20 £'000	2018/19 £'000
Teachers' Pension Scheme: contributions	2,920	2,043
Local Government Pension Scheme:		
Contributions paid	1,702	1,596
FRS 102 (28) charge	1,760	1,830
Charge to the Statement of Comprehensive Income	6,382	5,469
Enhanced pension charge to Statement of Comprehensive Income	188	167
Total pension cost for year within staff costs	6,570	5,636

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

Teachers' Pension Scheme

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

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

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

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

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019.

The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). The Welsh Government (WG) paid a teacher pension employer contribution grant to cover the additional costs during the 2019/20 WG financial year.

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

The pension costs paid to TPS in the year amounted to £2,920k (2019: £2,043k).

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 2020 were £3,994k (2019: £3,926k), of which employer's contributions totalled £3,462k (2019: £3,427k) and employees'

Notes to the Financial Statements (continued)

contributions totalled £532k (2019: £499k). The agreed contribution rates for future years are 19.0% for employers and range from 5.5% to 12.5% for employees, depending on salary.

A change in the way employer contributions for LGPS are paid came into effect in April 2020. The employer contributions are now at a rate per employee of 19.0% with no capital deficit payment payable, although £210k was payable in the year (2019: £308k), which is included in the total employer contribution figures above.

Introduction

The disclosures below relate to the funded liabilities within the Rhondda Cynon Taff 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' (as amended) and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014' (as amended).

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 'The Local Government Pension Scheme Regulations 2013' and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2019 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate.

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

Assets

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

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

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

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

Changes in Bond Yield

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

Inflation Risk

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

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

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

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.

Key assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by a qualified independent actuary.

	31 July 2020	31 July 2019	31 July 2018
Discount rate	1.4%	2.2%	2.8%
CPI inflation	2.3%	2.2%	2.1%
Pension increases	2.3%	2.2%	2.1%
Pension accounts revaluation rate	2.3%	2.2%	2.1%
Salary increases	3.55%	3.45%	3.35%

Mortality assumption

The mortality assumptions are based on actual mortality experiences of members within the Fund based on analysis carried out as part of the 2019 valuation, and allow for expected future mortality improvements. Sample life expectancies at age 65 resulting from these mortality assumptions are shown below.

	31 July 2020 No.	31 July 2019 No.
Males		
Member aged 65 at accounting date	21.7	21.9
Member aged 45 at accounting date	22.7	23.6
Female		
Member aged 65 at accounting date	24.0	23.8
Member aged 45 at accounting date	25.5	25.7

Asset allocation

	Value at 31 July 2020 %	Value at 31 July 2019 %
Equities	63.7	67.9
Property	8.6	7.6
Government bonds	13.8	12.1
Corporate bonds	13.0	11.7
Cash	0.9	0.7
Total	100.0	100.0

Notes to the Financial Statements (continued)

Reconciliation of funded status to balance sheet

	Value as at 31 July 2020 £'000	Value as at 31 July 2019 £'000
Fair value of assets	58,120	56,190
Present value of funded defined benefit obligation	(103,020)	(78,760)
Liability recognised on the balance sheet	(44,900)	(22,570)

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

Active members:	53%
Deferred Members:	21%
Pensioners:	26%

Amounts recognised in income statement

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Operating cost		
Current service cost	3,480	2,360
Past service cost	20	1,050
	3,500	3,410
Financing cost		
Interest on net defined benefit liability	480	430
	3,980	3,840
Pension expense recognised in income statement		
Allowance for administration expenses included in Current Service Cost	40	40

Amounts recognised in other comprehensive income

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Asset (losses) / gains arising during the year	(370)	3,130
Liability losses arising during the year	(19,720)	(7,270)
Total amount recognised in other comprehensive income	(20,090)	(4,140)

Changes to the present value of the defined benefit obligation

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Opening defined benefit obligation	78,760	66,790
Current service cost	3,480	2,360
Interest expense on defined benefit obligation	1,730	1,860
Contributions by participants	530	500
Actuarial losses on liabilities	19,720	7,270
Net benefits paid out	(1,220)	(1,070)
Past service cost	20	1,050
Closing defined benefit obligation	103,020	78,760

Notes to the Financial Statements (continued)

Changes to the fair value of assets

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Opening fair value of assets	56,190	50,620
Interest income on assets	1,250	1,430
Remeasurement (losses) / gains on assets	(370)	3,130
Contributions by the employer	1,740	1,580
Contributions by participants	530	500
Net benefits paid out	(1,220)	(1,070)
Closing fair value of assets	58,120	56,190

Actual return on assets

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Interest income on assets	1,250	1,430
(Loss) / gain on assets	(370)	3,130
Actual return on assets	880	4,560

25. Related Party Transactions

Due 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.

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

Notes to the Financial Statements (continued)

26. Financial Contingency Fund

	Year ended 31 July 2020 £	Year ended 31 July 2019 £
Balance brought forward	58,837	63,486
WG grant	788,333	824,243
Interest earned	518	387
	847,688	888,116
Disbursed to students		
Childcare	397,213	536,302
Books and equipment	137,952	7,070
Tuition, exam and registration fees	23,031	22,728
Transport	124,961	171,037
Other	138,442	66,675
Total disbursed to students	821,599	803,812
Administration costs	23,650	24,727
Bank charges	969	740
Total disbursements	846,218	829,279
Balance unspent at 31 July	1,470	58,837

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.