



Report and Financial Statements

Year ended 31 July 2021

Contents	Page Number
Report of the Governing Body	1
Statement of Responsibilities of the Members of the Corporation	13
Statement of Corporate Governance and Internal Control	14 Error! Bookmark not defined.
Statement of Regularity, Propriety and Compliance	20
Independent Auditors' Report to the Corporation of Coleg y Cymoedd	21
Statement of Comprehensive Income and Expenditure	24
Statement of Changes in Reserves	25
Balance Sheet	26
Statement of Cash Flows	27
Notes to the Financial Statements	28

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

The governing body present their annual report, together with the financial statements and auditors' report for Coleg y Cymoedd for the year ended 31 July 2021.

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.

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

Public Benefit

Coleg y Cymoedd is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Welsh Government, (herein WG). The members of the Corporation Board, who are trustees of the charity, are disclosed on pages 14 to 15.

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

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

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

Report of the Governing Body

Implementation of the Strategic Plan for 2019-22

The Strategic Plan for Coleg y Cymoedd runs for a three-year period from 2019 to 2022, which was approved by the Corporation Board July 2019.

The plan contained eight strategic aims and within each aim, a set of objectives are developed for each academic year. Objectives were assigned to a member of the Strategic Leadership Team (SLT).

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 (RSR). This is formulated based on not achieving the agreed objectives and the progress to mitigate this is recorded in the Register. Sections of the Register were reported to the various corporation committees – e.g., objectives pertaining to curriculum matters are discussed at the Curriculum & Quality Committee. The full RSR is reported to both the Audit Committee and to the Corporation Board. 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 2020/21. The COVID 19 outbreak has had an impact on the achievement of a number of these objectives; two lockdowns in November 2020 and January to April 2021, with learning moving off-campus and the lack of work placements for learners meant that progress on some of the objectives stalled. In addition, the strategic objectives included within financial Aim 8 for 2021/22 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 2020/21 – one has been achieved and three are progressing. Three new objectives have been set for 2021/22.
- **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 2020/21 – two were achieved and one is progressing. Three new objectives have been set for 2021/22.
- **Aim 3 – To deliver excellent teaching, learning and support which challenges all learners to achieve their maximum potential.** There were five objectives set for 2020/21 – two have been achieved and three are progressing. Six new objectives have been set for 2021/22.
- **Aim 4 – To inspire a culture which encourages continuous quality improvement.** There were four objectives set for 2020/21 – one has been achieved and three are progressing. Five new objectives have been set for 2021/22.
- **Aim 5 – Plan and support the development of Welsh language/bilingual services and curriculum provision across the college.** There were four objectives set for 2020/21 – all four were achieved. Four new objectives have been set for 2021/22.
- **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 six objectives set for 2020/21 – five have been achieved and one is progressing. Six new objectives have been set for 2021/22.
- **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 2020/21 – three have been achieved and two are progressing. Five new objectives have been set for 2021/22.
- **Aim 8 – To deploy all 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 2020/21 – two have been achieved and two are progressing. Six new objectives have been set for 2021/22.

Report of the Governing Body

In developing the strategic objectives for 2021/22 consultation was held with learners, staff, governors, and key employers. The College's financial objectives for 2021/22 are:

- 8.1 Ensure that a continual and consistent commitment to cost management is evidenced, to ensure value for money and to safeguard the financial health of the college.
- 8.2 Continue to grow and develop income streams (not core funded) across BIS. To include £3.5m WBL contract, £900k PLA programme and re-establish commercial income to £750k with the aim to exceed target subject to COVID restrictions.
- 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.
- 8.5 Assess the current and future IT and digital needs and ways of improving service delivery across all areas of the college.
- 8.6 Develop the use of digital technologies to enhance the College's internal and external communication strategy.

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 shown in the table below:

	2020/2021 £'000	2019/2020 £'000
Deficit before other gains and losses	(426)	(484)
Net cash inflow / (outflow) re: operating activities	7,690	2,607
Net current assets / (liabilities)	8,157	(6,777)
Days net liquid assets to total expenditure	97.8	91.6
Current ratio	1.54	1.87
WG grant as % of total income	92.1%	90.1%
EBITDA (earnings before interest, tax, depreciation, and amortisation) and before non-cash defined benefit obligations	4,253	3,289

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

FINANCIAL POSITION**Financial results**

2020/21 was the eighth 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 2020/2021 £'000	Actual 2019/2020 £'000
Income	51,829	44,805
Expenditure	52,255	45,289
Deficit before other gains and losses	(426)	(484)
Total Comprehensive Income/(expense) for the year	14,934	(20,573)
Surplus before other gains and losses (excluding FRS102 pension charges) *	3,264	1,756
Surplus (as * above) as % of income	6.3%	3.9%

Report of the Governing Body

The College generated a deficit before other gains and losses in the year of £426k (2019/20: £484k), with total comprehensive income of £14,934k (2019/20: expenses £20,573k). This large movement on total comprehensive income for the year is due primarily to the actuarial gains in respect of pension schemes in 2020/21 of £15,360k (2019/20: loss £20,090k).

The College has a surplus on its Income and Expenditure reserve of £3,556k (2020: deficit of £11,425k) and cash and short-term investment balances of £14,006k (2020: £11,361k). The accumulated reserves have increased in the last year due to a decrease in the defined benefit pension obligation of £11,670k. Cash and short-term investments have increased during the year because 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 Ystrad Mynach, which is part of the WG 21st Century Schools Band B Project.

Tangible fixed asset additions during the year amounted to £7,314k. This was split between assets under construction of £5,949k, land and buildings of £391k and equipment purchases of £974k. Assets under construction included the Sports Centre at Nantgarw and Band B works.

The College had net assets of £8,157k at 31/07/21, up from net liabilities of £6,777 at 31/07/20. The main reasons for this increase is the reduction in the defined benefit pension obligations of £11,670k and an increase in fixed assets of £4,090k.

EBITDA has increased from £3,289k in 2019/20 to £4,253k in 2020/21. EBITDA looks at an organisation's profitability from its core operations before the impact of debt and non-cash items (such as depreciation and FRS 102 pension charges).

The College has significant reliance on the WG for its principal funding source, largely from recurrent grants. In 2020/21 the WG provided 92.1% (2019/20: 90.14%) of the College's total income. This increase has been due to an increase in WG grants and the reduction in commercial activity income, both due to 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 £3.69m (net interest cost of £0.62m, current service costs of £4.74m less employer contributions of £1.67m) (2020 - £2.2m) (arising because of accounting for the LGPS in accordance with FRS 102. The LGPS pension provision recognised on the balance sheet has decreased in the year by £11.7m to £33.2m (2020 increase of £22.3m). 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 WG.

Cash flows and Liquidity

At £7.7m (2020: £2.6m), net cash flow from operating activities is very strong. The net cash flow resulted from the management of resources.

Report of the Governing Body

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

Liquidity as measured by the Current Ratio decreased to 1.54 in 2020/21 compared to 1.87 in 2019/20 and is lower than the Welsh average, which is 1.60 according to WG statistics for 2018/19 (latest available). The Days of Net Liquid Assets Ratio reveals 97.8 days compared to 91.6 days in 2019/20. 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.

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 £3,556k (2020: negative £11,425k). 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 2020 to 31 July 2021, the College paid 95.18 per cent of its invoices within 30 days (2020: 95.9%). The College incurred no interest charges in respect of late payments 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 23).

Learner Numbers

In 2020/21 the College provided opportunities for over 14,000 learners, including:

- 4,913 learners on full-time courses
- 406 learners on higher education courses
- 802 learners on ESF courses
- 1,500 on apprenticeship programmes
- 6,601 adults studying on a part-time basis

The percentage of local school leavers coming to the college remains consistent, with strong relationships with most schools developed through the school's 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.

2020/21 – the College's performance and Learner Achievements

2020/21 will be remembered for the unprecedented challenges caused by the Covid-19 pandemic. Whilst we initially hoped that 2020/21 would be less impacted by the pandemic, these hopes were dashed in what was another much more profoundly affected year. The fact that two lockdowns – first the firebreak in term one, and then the prolonged lockdown in term two – plus a longer induction period at the start to address all the COVID-19 safety measures, meant that learners had a vastly different experience for at least fourteen weeks of term-time.

Report of the Governing Body

Staff and learners responded well to these changes – adapting to on-line working, changing the order of the curriculum delivery to suit, and then ensuring that as many assessments as possible took place in term three.

Most learners were adept at engaging with new, unfamiliar modes of learning when lockdown restrictions required College campuses to close, and the College was committed to providing increased support – such as digital resources, additional learning and pastoral support, and the payment of free school meals payment to those most in need - to those learners who, due to the nature of their chosen course or their individual circumstances, found the situation more challenging.

The College had a successful year in terms of external recognition. These were some of the highlights:

- William Davies, Apprentice of the year at Apprenticeship Award Cymru 2021
- Bethany Mason, Foundation Apprentice of the year at Apprenticeship Award Cymru 2021
- Jamie Jones – Apprenticeship Endeavour Award in the Wales Manufacturing Awards 2020 (Engineering)
- Sophie Williams, Tomorrows Talent award at Apprenticeship Award Cymru 2021
- Tomos Churchill – Intern of the Year, Gateway to Employment – regional & national coverage (Vocational Access)
- Aspire Shared Apprenticeship won the Large Employer of the year award at Apprenticeship Cymru Awards 2021

Learners won 12 medals in the World skills competition include Creative Industries, (4 gold & 1 bronze), Vocational Access, (3 gold & 3 silver) and Catering (1 gold).

Further details regarding the College's performance in the year are outlined below.

- Lower retention rates were seen in 2020-21 across most schools, affecting our overall success rate as less learners completed their programme of study than normal.
- The attainment rate in most schools continues to be very strong, with eight out of eleven schools achieving rates equal to or better than the overall college attainment rate of 95% achieved in 2018-19, the last academic year before the pandemic.
- Attendance for 2020/21 is reporting overall at 87%, which is 1% lower than 2019-20 but comparable to 2018-19. The college is pleased with the levels of engagement given the extraordinary circumstances.
- The learner survey was positive about teaching and learning including the following:
 - 92% of learners stated that essential skills, literacy, and numeracy requirements on their course were fully explained to them during induction.
 - 96% stated that they were made aware of the college's digital services and facilities (e.g., Moodle, Office365, WIFI 'Eduroam', computer access, using own devices).
 - 96% stated that their lessons started on time.
 - 96% stated that they thought their lessons were varied and interesting.
 - 96% stated that their Tutors clearly explain the work they must do.
 - 98% stated that the teaching on their course was good and 96% stated that they were learning at the right pace.
 - 94% stated that they knew when assessments would be taking place on their course and that assessment expectations had been made clear to them.

Report of the Governing Body

The unverified all qualification learner outcomes for 2020/21 were as follows:

	Successful Completion	Successful Completion	Successful Completion Unverified
School	2018/19	2019/20	2020/21
Care	86%	83%	74%
Sport and Public Services	90%	88%	88%
Vocational Access	93%	94%	92%
Business and Finance	84%	80%	75%
Catering	94%	90%	92%
Hair and Beauty	94%	85%	91%
Creative Industries	90%	91%	94%
Construction	93%	90%	88%
Engineering	89%	79%	78%
Computing	92%	92%	93%
A Level Centre	84%	94%	90%
Whole College	89%	85%	82%

Table 1. A three-year trend showing successful completion on all qualifications

Eight out of the eleven schools achieved success rates of 80% or better for all qualifications.

Curriculum and other developments and achievements

To be recognised as an excellent college by learners, staff, business and communities. Some of the main achievements of the college during the academic year include:

- Lisa Reynolds, Course Coordinator for the BTEC Level 2 in Sport was nominated for the Supporting Progression to HE Award.
- Scott Jones, Music Technology, was nominated for the Aspiring Tutor Award.
- Ian Presgrave, Catering, was nominated for the Aspiring Tutor Award.
- Developing virtual open day using Microsoft and a move to online enrolment in August 2020.
- Developing a digital advocates training programme for staff. The programme was designed prior to the pandemic to support the implementation of the Digital 2030 vision. Over 100 staff completed the programme in 2019/20.
- Through INSET activities 600 staff completed activities to update and enhance their individual and vocational skills with most of these activities involving digital updating of skills to meet the requirements for the Digital 2030 strategy.
- 13 members of staff were supported to complete a teaching qualification and a further 16 staff were supported to complete qualifications, ranging from level 4 to level 7.

Report of the Governing Body

- The College has created a new post and appointed a Director of Digital Strategy & Innovation to lead the next stage of digital transformation across the college. This new role is all about modernising the college's approach to digital and working with others to enrich the end user experience, whether that its digitally enabled teaching and learning, systems used by staff and learners or ensuring that the college's strategic approach to digital development is joined up, forward thinking and ambitious
- The College has combined the leadership and service delivery across the campus office and learner services to support the learner experience.
- In December 2020, the College was awarded the highly prestigious Investor in People Gold Award to recognise the transformed culture where people are consistently positive and believe that the college is doing the right things at the right time. To continue to improve the function and support in this area and achieve the college vision of being an excellent college, a consultation concluded that a more proactive approach is required which focuses on creating a healthy and positive work environment, where the staff actively support high performance, identify areas for improvement and promotes good relationships across the college. This will be a focus of the newly named People and Culture team in 2021-22 and will be supported by the implementation of iTrent, the new payroll and human resource system which went live in May 2021, following a 15-month implementation plan.
- Achieved Corporate Health Standard (Platinum award) which demonstrates sustainable business practices.

Partnerships

The College is committed to supporting employers and communities across South East Wales:

- The College works closely with local authorities and schools to host the Seren Project, a specific scheme for more able and talented learners.
- In the field of Sport, the College has also developed effective partnerships with the Welsh Rugby Union, Cardiff Rugby, the Football Association of Wales, and Wales Rugby League to offer pathways into professional sport.
- In the creative industries, learners work extensively with Screen Alliance Wales, Bad Wolf studios and other major media and creative organisations.
- The College has a longstanding partnership with GE Aviation and has more recently developed a partnership with Caerdydd.
- The College has developed strong links with the rail sector including Transport for Wales, Protech and Intertrain.

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.

Report of the Governing Body

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. COVID-19

The risks faced by the College in relation to the Covid-19 pandemic can be summarised into three broad categories:

- Risks to the health, safety and wellbeing of staff, learners, and visitors.
- Risks to the College's ability to effectively continue activities and achieve positive outcomes for its learners and communities.
- Risks to the ongoing financial health and resilience.

In formulating its approach to the above risks, the College ensured that the WG guidance (and where appropriate, UK Government, Health and Safety Executive and any other applicable regulations/guidance) is adhered to; this informed the risk assessments and safe operating practices on each campus, which were consulted on with recognised trade unions and made available for staff to review on the staff intranet.

During the academic year, the WG has supported the college with additional funding to support learners to complete and attain their qualifications. In addition, the WG has supported the college with additional income to cover the additional operating costs in areas such as cleaning, refectories, the nurse, transport, and digital equipment.

Curriculum planning will continue to be a key focus to ensure the curriculum meets the needs of sectors in a post pandemic economy. This will ensure that the College continues to focus on priority sectors which will benefit from public funding.

2. Future Government funding

Whilst the FE sector has been protected through the period of the pandemic it is fearful that there may be funding cuts in future years which makes future investment planning more difficult and riskier. This risk is mitigated by increasing commercial income to reduce reliance on public funding and regular dialogue with officials from WG.

3. Developing new sources of funding

The College is committed to growing and developing alternative income streams wherever such opportunities arise. Despite COVID-19, the College was able to increase its commercial activities through Personal Learning Accounts.

4. Government policy

A number of Government policy decision will impact upon the college. These include:

- The decline of European funding. As a result of the UK leaving the European Union, the college is mitigating against the loss of income through exit plans.
- Public sector pay pressures. The College welcomes pay parity with the school sector, but it remains concerned that funding rates may not rise accordingly to meet these costs.
- Increased National Insurance contributions from 1st April 2022.
- The PCET (Post Compulsory Education & Training) model remains clouded in its potential impact on us.
- The continuing state of flux in work-based learning contracts.

Report of the Governing Body

5. Maintain adequate funding of pension liabilities
The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.
6. BREXIT
The College has witnessed increased costs across many areas of its business operations in addition to supply chain issues.

Future Prospects

The new organisational structure should continue to reap benefits in the new post COVID-19 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.

The College continues to invest in facilities on all four campuses in order to enhance the learner experience and recruit and retain more learners. Further Band B work is planned for the Ystrad Mynach campus in 2021/22.

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 £15.7m held in current assets. Included in current assets is £6m 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 net assets of £8.1m (including £33m pension liability) and long-term debt of £4.8m.

People

The College employs 637 staff (expressed as full-time equivalents), of whom 303 are teaching staff.

Ongoing and planned investments

The college continued to invest in facilities on all four campuses in order to enhance the learner experience and recruit and retain more learners. At Aberdare, a gaming studio and two new computer rooms were created to enhance the digital and creative curriculum. On the Rhondda campus, the Band B project to both refurbish and invest in new facilities was completed at a cost of £3,385,840. The project provides a new construction workshop, outdoor teaching spaces, a new catering facility, a training restaurant and other flexible teaching spaces. A new computer room was created to develop a level 3 creative curriculum. At Nantgarw, a robotic studio was opened to enhance the engineering curriculum. Building work commenced on the new sports facility at Nantgarw. Unfortunately, the contractor went into administration in July 2021, which means the building project will be delayed until a new contractor is appointed via a new tender process. Governors' challenge of all capital projects was detailed and rigorous. At Ystrad Mynach, the developments included a newly refurbished electrical teaching block, the development of an ILS (Independent Living Skills) bungalow, which was refurbished to allow learners to develop their independent living skills. Building work commenced in April 2021 on a block which will have a commercial standard training kitchen, a purpose build gym with changing facilities, flexible teaching spaces and staff offices. Further investment is planned on the Ystrad Mynach campus which will provide new teaching spaces for brickwork and painting and decorating.

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.

Report of the Governing Body

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 £5.3m of loans outstanding with financial institutions and WG (both secured and unsecured) on terms negotiated in 2010, 2012, 2016 and 2018. The terms of the existing agreements are for up to another 15 years, with £0.5m being payable next year. The College's forecasts and financial projections, which are primarily based on known and committed grants, 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.

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 WG.
- 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 college portal, 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.

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 monitors the membership regularly to ensure it is fully representative of all staff groups, including academic, business support staff and managers, across all campuses. During 2020/21, the committee members continued to raise awareness of Equality and Diversity issues throughout the College, through targeted campaigns using email, the College intranet, and social media. Particular focus was given to National Awareness days, such as 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 appointed an Equality, Diversity, and Inclusion Lead to further develop resources in this area.

In March 2021, the College reported a mean Gender Pay Gap of 6.1%, an increase from 4.9% in 2020. 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.

Report of the Governing Body

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.

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

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, as 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 13 December 2021 and signed on its behalf by:



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 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 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*, the Accounts Direction for Further Education Colleges in Wales for 2020/21 (issued by the WG) 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 relevant legislation, including the Further and Higher Education Act 1992 and Charities Act 2011 and 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 Board 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 Board 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, and any other public funds, are used only in accordance with the Financial Memorandum with the WG and any other conditions that may be prescribed from time to time by the WG or any other public funder. Members of the Corporation must ensure that there are appropriate financial and management controls in place 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 and other public bodies are not put at risk.

Approved by order of the Members of the Corporation on 13 December 2021 and signed on its behalf by:



N Bayford
Chair of Governors

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 2020 to 31 July 2021 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 2021. 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 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	Comm
N Bayford (Chair)	Member	01/08/13 Appointed 01/08/15 Re-appointed 01/08/2019 Re-appointed	Resources Remuneration (Chair) Search (Chair) Selection (Chair)	4/4	3/3 1/1 3/3 N/A
F Bevan- Patterson	Student Member	29/10/19 Appointed 28/06/20 Re-appointed 31/07/21 Term ended	Curriculum & Quality	2/4	2/3
L Bolderson	Member	22/03/21 Appointed	Audit	1/1	1/1
C Bradshaw	Member	01/08/13 Appointed 01/08/17 Re-appointed 31/07/21 Term ended	Curriculum & Quality	3/4	3/3
D Bull	Member	01/08/13 Appointed 01/08/15 Re-appointed 01/08/19 Re-appointed	Audit (Chair) Search	2/4	3/3 2/3
T Dancovici	Staff Member	20/06/19 Appointed	Curriculum & Quality	4/4	3/3
S Davies	Member	01/10/18 Appointed	Resources (Vice-Chair)	4/4	3/3
A Diplock	Member	01/09/17 Appointed 01/08/21 Re-appointed	Resources Search Remuneration	4/4	3/3 3/3 1/1
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	4/4	2/3
M Harding	Member	01/08/13 Appointed 01/08/16 Re-appointed 01/08/20 Re-appointed	Curriculum & Quality (Chair) Search Remuneration	3/4	3/3 2/3 1/1
E J Hope	Member	01/01/18 Appointed 10/02/21 Resigned	Audit	1/1	1/2
K Kerswell	Member	30/09/19 Appointed	Audit Curriculum & Quality	2/4	2/3 2/2

M Lippard	Member	01/08/13 Appointed 01/08/16 Re-appointed 30/03/20 Re-appointed	Resources	3/4	3/3
M Morgan	Student Member	04/02/21 Appointed	Curriculum & Quality	1/2	2/2
K Phillips (Principal)	Principal	01/01/19 Appointed	Resources Curriculum & Quality Search	4/4	3/3 3/3 3/3
Cllr J Rosser	Member	01/08/17 Appointed 01/08/21 Re-appointed	Audit	3/4	2/3
J Rosser	Student Member	17/10/19 Appointed 28/06/20 Re-appointed 14/12/20 Resigned	Curriculum & Quality	1/1	0/1
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)	4/4	3/3 3/3 1/1
C Thomas	Member	01/11/16 Appointed 01/10/20 Re-appointed	Resources	3/4	2/3
P Wright	Member	25/04/18 Appointed	Audit (Vice-Chair)	4/4	3/3
Committee Co-optees					
J Gilmore	Co-opted Committee Member	01/08/13 Appointed 01/08/17 Re-appointed 31/07/21 Term ended	Resources	N/A	0/3
M Coburn- Hughes	Co-opted Committee Member	16/12/19 Appointed 19/11/20 Resigned	Audit	N/A	N/A
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 several 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.

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.

Statement of Corporate Governance and Internal Control

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. In exceptional circumstances, or when a period of continuity is required, a further term beyond eight years may be considered, up to a maximum of one further term only. Re-appointment beyond two terms may also be considered if they have special skills that would otherwise be difficult to find or their level of governance expertise is required to balance the relative inexperience of a number of new members.

Corporation Committees

There are six committees of the Corporation. These committees are formally constituted with terms of reference, and, except for 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 requires a minimum of three 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 the Wales Audit Office.

Curriculum and Quality Committee

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

Search Committee

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

Statement of Corporate Governance and Internal Control

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 2021 is set out in note 8 to the financial statements.

College Committees & Meetings

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 Directors of Finance, Infrastructure, Digital Strategy & Innovation 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 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 they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between Coleg y Cymoedd and the WG. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of

Statement of Corporate Governance and Internal Control

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 2021 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 2021 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 WG'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. Their 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 their review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by their risk awareness training. The senior leadership team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

Statement of Corporate Governance and 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. The Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the senior leadership team and internal audit and taking account of events since 31 July 2021.

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

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 £5.3m of loans outstanding with financial institutions and WG (both secured and unsecured) on terms negotiated in 2010, 2012, 2016 and 2018. The terms of the existing agreements are for up to another 15 years, with £0.5m being payable next year. The College's forecasts and financial projections, which are primarily based on known and committed grants, 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.

Approved by order of the Members of the Corporation on 13 December 2021 and signed on its behalf by:



N Bayford
Chair of Governors



K Phillips
Principal/Accounting Officer

Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the WG 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 WG. As part of our consideration, we have had due regard to the requirements of the financial memorandum and contracts with the WG.

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 WG, or any other public funder.

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 WG.

Approved by order of the Members of the Corporation on 13 December 2021 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 2021, and of the institution's income and expenditure and the institution's 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 2021; the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves and 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.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the institution's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Corporation with respect to going concern are described in the relevant sections of this report.

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 the Members of the Corporation, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the institution/industry, we identified that the principal risks of non-compliance with laws and regulations related to UK health & safety and employment legislation together with the Financial Memorandum between the College and the Welsh Government, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Accounts Direction issued by the Welsh Government. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent transactions designed to overstate the financial performance and position of the institution. Audit procedures performed included:

- Reviewing committee meeting minutes and holding discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Using computer based audit techniques to identify and test higher risk manual journals, in particular those having unusual account combinations;
- Reviewing the appropriateness of the assumptions used by the institution in estimating the value of defined benefit pension scheme deficits; and
- Obtaining third party confirmations of all the institution's banking and financing arrangements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other Required Reporting

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

In our opinion, in all material respects:

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
Date:

Statement of Comprehensive Income and Expenditure for the year ended 31 July 2021

	Notes	2020/21 £'000	2019/20 £'000
INCOME			
Funding body grants	2	47,738	40,389
Tuition fees and education contracts	3	1,706	1,943
Other grants and contracts	4	1,029	866
Other income	5	1,328	1,537
Investment income	6	28	70
Total income		51,829	44,805
EXPENDITURE			
Staff costs	7	33,173	30,576
Other operating expenses	9	15,065	10,877
Depreciation	12	3,224	3,193
Interest and other finance costs	10	793	643
Total expenditure		52,255	45,289
Deficit before other gains and losses		(426)	(484)
Profit / (loss) on disposal of assets		-	1
Deficit for the year		(426)	(483)
Actuarial gain / (loss) in respect of pension schemes		15,360	(20,090)
Total Comprehensive Income / (Expense) for the year		14,934	(20,573)
Represented by:			
Unrestricted comprehensive income / (expense)		14,934	(20,573)
		14,934	(20,573)

Statement of Changes in Reserves for the year ended 31 July 2021

	Income and Expenditure Account £'000	Revaluation Reserve £'000	Total Unrestricted Reserves £'000
Balance as at 1st August 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 at 31st July 2020	(11,425)	4,648	(6,777)
Deficit for the year	(426)	-	(426)
Other comprehensive income	15,360	-	15,360
Transfers between revaluation and income and expenditure reserves	47	(47)	-
Total comprehensive income for the year	14,981	(47)	14,934
Balance as at 31st July 2021	3,556	4,601	8,157

Balance Sheet as at 31 July 2021

	Note	2020/21 £'000	2019/20 £'000
Non-current assets			
Tangible fixed assets	12	91,367	87,277
		91,367	87,277
Current assets			
Trade and other receivables	13	1,729	1,391
Cash and cash equivalents	19	14,006	11,361
		15,735	12,752
Creditors - amounts falling due within one year	15	(10,220)	(6,825)
Net current assets		5,515	5,927
Total assets less current liabilities		96,882	93,204
Creditors - amounts falling due after more than one year	16	(54,139)	(53,569)
Provisions			
Defined benefit pension obligations	18	(33,228)	(44,898)
Other provisions	18	(1,358)	(1,514)
TOTAL NET ASSETS / (LIABILITIES)		8,157	(6,777)
Unrestricted Reserves			
Income and expenditure account		3,556	(11,425)
Revaluation reserve		4,601	4,648
TOTAL UNRESTRICTED RESERVES		8,157	(6,777)

The financial statements on pages 24 to 47 were approved and authorised for issue by the Corporation on 13 December 2021 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 2021

	Note	2020/21 £'000	2019/20 £'000
Cash flow from operating activities			
Deficit for the year		(426)	(483)
Adjustment for non-cash items			
Depreciation		3,224	3,193
(Increase) / decrease in debtors		(339)	99
(Decrease) / increase in creditors due within one year		3,908	(634)
(Decrease) increase in provisions		(156)	72
Pensions costs less contributions payable		3,070	1,760
Pension finance cost		620	480
Deferred capital grants released to income		(2,356)	(1,973)
Adjustment for investing or financing activities			
Investment income receivable		(28)	(70)
Interest payable		173	163
Net cash flow from operating activities		7,690	2,607
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	1
Investment income received		29	79
Withdrawal of deposits		-	4,500
Payments made to acquire fixed assets		(7,314)	(2,957)
Deferred capital grants received		3,015	1,475
		(4,270)	3,098
Cash flows from financing activities			
Interest paid		(145)	(164)
Repayments of amounts borrowed		(630)	(647)
		(775)	(811)
Increase in cash and cash equivalents in the year	19	2,645	4,894
Cash and cash equivalents at beginning of the year		11,361	6,467
Cash and cash equivalents at end of the year		14,006	11,361

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 2019 (the 2019 FE HE SORP)*, the *WG College Accounts Direction for 2020 to 2021* 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 £5.3m of loans outstanding with financial institutions and WG (both secured and unsecured) on terms negotiated in 2010, 2012, 2016 and 2018. The terms of the existing agreements are for up to another 15 years, with £0.5m being payable next year. The College's forecasts and financial projections, which are primarily based on known and committed grants, 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, except for 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 WG 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 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 based on 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 because 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 based on 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 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.

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 be 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 several 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 several 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 on 31 March 2019 to value the pensions liability on 31 July 2021. 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

	2020/21 £'000	2019/20 Re-presented £'000
Core Recurrent funding	32,577	30,753
Other recurrent funding	3,852	3,931
Covid related funding	5,722	75
Release of WG capital grants	2,066	1,683
Work-based learning	3,521	3,947
Total	47,738	40,389

An amount of £75,000 has been re-presented from core recurrent funding to Covid related funding within the 2019/20 reporting period.

Notes to the Financial Statements (continued)

3. Tuition Fees and Education Contracts

	2020/21 £'000	2019/20 £'000
EU (including home) tuition fees	208	340
HE fees	1,063	964
Examination fees and expenses (non-EU community)	15	42
Total fees paid by or on behalf of individual students	1,286	1,346
Education contracts		
Higher Education income	237	254
Other contracts (including Local Education Authority)	183	343
Total	1,706	1,943

4. Other Grants and Contracts

	2020/21 £'000	2019/20 £'000
European Commission grants	909	789
Other grants and contracts	120	77
Total	1,029	866

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:

	2020/21 £'000	2019/20 £'000
Income received from WEFO	1,427	1,092
Payments to other Partners	(519)	(303)
College Expenses	(640)	(595)
Total	268	194

5. Other Income

	2020/21 £'000	2019/20 £'000
Catering	1	34
Releases from deferred capital grants (non-WG)	290	290
Other income-generating activities	299	396
Other income	738	817
Total	1,328	1,537

6. Investment Income

	2020/21 £'000	2019/20 £'000
Interest receivable	28	70
Total	28	70

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:

	2020/21		2019/20	
	No.	£'000	No.	£'000
Teaching and learning departments	303	16,497	311	16,053
Teaching and learning support services	133	4,943	127	4,578
Other support services	78	2,902	75	2,756
Administration and central services	88	4,466	83	4,002
General education expenditure	3	131	3	124
Premises	24	864	24	833
Other income generating activities	8	324	7	251
Sub-Total	637	30,127	630	28,597
Staff restructuring		19		30
Enhanced pension credit/(charge)		(43)		189
FRS102 pension top-up charge (note 24)		3,070		1,760
Total		33,173		30,576

Staff costs

	2020/21	2019/20
	£'000	£'000
Wages and salaries	22,997	21,868
Social security costs	2,306	2,108
Other pension costs	7,851	6,570
Payroll sub total	33,154	30,546
Restructuring costs* - Contractual	16	28
- Non-contractual	3	2
Total staff costs	33,173	30,576

*During the year, a voluntary restructuring exercise took place, resulting in a release of 1(2020: 1) member(s) of staff at a cost of £19k (2020: £30k).

A pay award for all staff was approved by the Corporation with effect from 1 August 2020. Different rates applied to different categories of staff – see table below. The reason for this was additional funding was received from the WG on the basis that pay parity with schoolteachers and school managers (categories marked * below) was maintained.

Business support staff	3.1%
* Staff on MG1	8.48%
* Staff on other MG grades	3.75%
* Staff on UP grades	2.75%
* Managers	2.75%

2019: 2.75% for all staff (except for those staff on MG1, who received 5%).

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.

Notes to the Financial Statements (continued)

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

	2020/21 No.	2020/21 FTE No.	2019/20 No.	2019/20 FTE No.
The number of key management personnel including the Principal/Accounting Officer was:	7	7.0	8	6.75

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:

	2020/21 FTE No.	2019/20 FTE No.
£60,001 to £65,000	-	0.42
£65,001 to £70,000	4.0	3.33
£85,001 to £90,000	-	2.0
£90,001 to £95,000	2.0	-
£140,001 - £145,000	-	1.0
£145,001 - £150,000	1.0	-
Total	7.00	6.75

Key management personnel emoluments are made up as follows:

	2020/21 £	2019/20 £
Basic salaries	587,906	563,596
Benefits in kind	6,693	4,373
	594,599	567,969
Pension contributions	130,110	118,296
Total key management personnel emoluments	724,709	686,265

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

	2020/21 £	2019/20 £
Basic salary	145,695	141,795
Benefits in kind	2,221	1,650
	147,916	143,445
Pension contributions	27,682	25,240
Total emoluments	175,598	168,685

The pension contributions in respect of five of the seven 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 WG.
- Benchmarking data, which can include information from other Colleges, Association of Colleges (AOC) or similar.

Notes to the Financial Statements (continued)

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

One member of the key management personnel took advantage of the College's cycle to work salary sacrifice scheme in 2020/21 (2019/20: 1).

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

	2020/21	2019/20
Principal's basic salary as a multiple of the median of all staff *	4.57	4.49
Principal and CEO's total remuneration as a multiple of the median of all staff #	4.40	4.48

* 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

No amounts of compensation were paid to the Principal/Accounting Officer and any key management personnel in respect of loss of office during 2019/20 and 2020/21.

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:

	2020/21 No. of Governors	2020/21 £	2019/20 No. of Governors	2019/20 £
Travel expenses	-	-	4	523

9. Other Operating Expenses

	2020/21 £'000	2019/20 £'000
Teaching costs	3,673	3,573
Non – teaching costs	6,200	3,772
Premises costs	5,192	3,532
Total	15,065	10,877

Notes to the Financial Statements (continued)

	2020/21 £'000	2019/20 £'000
Other operating expenses include:		
External auditors' remuneration		
- Financial statements audit	36	35
- Other services provided by the financial statements auditors	11	10
Internal auditors' remuneration	24	15
Profit / (loss on disposal of non-current assets	-	1
Hire of assets operating leases	40	44

10. Interest and Other Finance Costs

	2020/21 £'000	2019/20 £'000
On bank loans, overdrafts, and other loans	173	163
	173	163
Net interest on defined pension liability (Note 24)	620	480
Total	793	643

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 2020	105,238	1,829	9,841	116,908
Additions	391	5,949	974	7,314
Transfers	3,905	(3,920)	15	-
At 31 July 2021	109,534	3,858	10,830	124,222
Accumulated depreciation				
At 1 August 2020	(22,038)	-	(7,593)	(29,631)
Charge for the year	(2,326)	-	(898)	(3,224)
At 31 July 2021	(24,364)	-	(8,491)	(32,855)
Net book value at 31 July 2021	85,170	3,858	2,339	91,367
Net book value at 31 July 2020	83,200	1,829	2,248	87,277
Inherited	4,601	-	-	4,601
Financed by capital grant	52,004	1,571	1,291	54,866
Other	28,565	2,287	1,048	31,900
Net book value at 31 July 2021	85,170	3,858	2,339	91,367

Notes to the Financial Statements (continued)

13. Trade and other Receivables

	2020/21 £'000	2019/20 £'000
Trade receivables	114	189
Prepayments and accrued income	1,615	1,202
	1,729	1,391

14. Investments

Investments of £6m (2020: £5m) held in 35-day notice accounts are included in cash and cash equivalents.

15. Creditors - Amounts Falling Due Within One Year

	2020/21 £'000	2019/20 £'000
Loans	477	645
Trade payables	1,143	456
Other taxation and social security	578	527
Accruals and deferred income - WG	1,867	311
Non-WG *	4,101	2,459
Deferred income – capital grants - WG	1,775	2,137
Non-WG	279	290
	10,220	6,825

* Accruals and deferred income (non-WG) include an amount of £1,081k (2020: £974k) in respect of accrued holiday pay.

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

	2020/21 £'000	2019/20 £'000
Loans	4,819	5,281
Deferred income – capital grants – WG	40,599	39,288
Non-WG	8,721	9,000
	54,139	53,569

17. Maturity of Debt

Loans

Loans are repayable as follows:

	2020/21 £'000	2019/20 £'000
In one year or less	477	645
Between one and two years	465	458
Between two and five years	1,432	1,415
In five years or more	2,922	3,408
	5,296	5,926

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 against the TELC campus.

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 was repayable monthly from January 2019 to June 2021, at a rate of 2.25% and was secured. This loan has now been fully repaid.

The HSBC bank loan of £700k is repayable monthly from January 2019 to December 2028, at a rate of 2.25% and is secured against the Construction Workshop at Ystrad Mynach campus.

18. Provisions

	Defined benefit pension obligations £'000	Enhanced Pensions £'000	Total £'000
At 1 August 2020	44,898	1,514	46,412
Utilised in Year	-	(113)	(113)
Reduction in provision in year	(11,670)	(43)	(11,713)
At 31 July 2021	33,228	1,358	34,586

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in note 24.

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 (Association of College) and WG.

19. Analysis of changes in net debt

	At 1 August 2020 £'000	Cash flows £'000	Other non- cash changes £'000	At 31 July 2021 £'000
Cash and cash equivalents				
Cash	6,359	1,215	-	7,574
Cash equivalents	5,002	1,430	-	6,432
	11,361	2,645		14,006
Borrowings				
Debt due within one year	(645)	630	(462)	(477)
Debt due after one year	(5,281)	-	462	(4,819)
	(5,926)	630	-	(5,296)
Total	5,435	3,275	-	8,710

Cash equivalents include £6m (2020: £5m) deposited in a 35-day notice account.

Notes to the Financial Statements (continued)

20. Capital and other Commitments

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Commitments contracted for at 31 July	1,389	2,060
Authorised but not contracted at 31 July	6,146	10,832

Capital and other commitments contracted for at 31 July 2021 relate to Band B works £1,328k and outstanding orders at year-end £61k.

Authorised commitments not contracted for consist of £2.4m for WG Band B projects and £3.6m for the Sports Centre of Excellence build at Nantgarw.

21. Lease obligations

At 31 July 2021 and 2020 the College had minimum lease payments under non-cancellable operating leases as follows:

	2020/21 £'000	2019/20 £'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	137	170
	298	331
Other		
Not later than one year	19	40
Later than one year and not later than five years	25	21
Later than five years	-	-
	44	61

22. Contingencies

There are no contingent assets or liabilities at the end of the reporting period (2019/20: 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 2019 and the LGPS at 31 March 2019.

Notes to the Financial Statements (continued)

	2020/21 £'000	2019/20 £'000
Teachers' Pension Scheme: contributions	3,130	2,920
Local Government Pension Scheme:		
Contributions paid	1,694	1,702
FRS 102 (28) charge	3,070	1,760
Charge to the Statement of Comprehensive Income	7,894	6,382
Enhanced pension (credit) / charge to Statement of Comprehensive Income	(43)	188
Total pension cost for year within staff costs	7,851	6,570

There were no outstanding or prepaid contributions at the beginning of the financial year, but £396k of Teachers' pension contributions were outstanding at 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 2019. 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 £20 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 WG paid a teacher pension employer contribution grant to cover the additional costs during the 2019/20 financial year and the unit rate of recurrent funding was increased in 2020/21 to cover these additional costs going forward.

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 £3,130k (2020: £2,920k).

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 2021 were £5,329k (2020: £3,994k), of which employer's contributions totalled £4,764k (2020: £3,462k) and employees'

Notes to the Financial Statements (continued)

contributions totalled £565k (2020: £532k). 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 NIL was payable in the year, for 2020 £210k was 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 sizeable 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 sizeable 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).

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

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

Life expectancy

Most 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 on 31 March 2019 updated to 31 July 2021 by a qualified independent actuary.

	31 July 2021	31 July 2020	31 July 2019
Discount rate	1.7%	1.4%	2.2%
CPI inflation	2.6%	2.3%	2.2%
Pension increases	2.6%	2.3%	2.2%
Pension accounts revaluation rate	2.6%	2.3%	2.2%
Salary increases	3.85%	3.55%	3.45%

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 2021 No.	31 July 2020 No.
Males		
Member aged 65 at accounting date	21.8	21.7
Member aged 45 at accounting date	22.8	22.7
Female		
Member aged 65 at accounting date	24.1	24.0
Member aged 45 at accounting date	25.6	25.5

Asset allocation

	Value at 31 July 2021 %	Value at 31 July 2020 %
Equities	69.8	63.7
Property	6.2	8.6
Government bonds	11.9	13.8
Corporate bonds	11.9	13.0
Cash	0.2	0.9
Total	100.0	100.0

Notes to the Financial Statements (continued)

Reconciliation of funded status to balance sheet

	Value as at 31 July 2021 £'000	Value as at 31 July 2020 £'000
Fair value of assets	73,870	58,120
Present value of funded defined benefit obligation	(107,100)	(103,020)
Liability recognised on the balance sheet	(33,230)	(44,900)

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 2021 £'000	Year ended 31 July 2020 £'000
Operating cost		
Current service cost	4,740	3,480
Past service cost	-	20
	4,740	3,500
Financing cost		
Interest on net defined benefit liability	620	480
	5,360	3,980
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 2021 £'000	Year ended 31 July 2020 £'000
Asset gains / (losses) arising during the year	14,040	(370)
Liability gains / (losses) arising during the year	1,320	(19,720)
Total amount recognised in other comprehensive income	15,360	(20,090)

Changes to the present value of the defined benefit obligation

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Opening defined benefit obligation	103,020	78,760
Current service cost	4,740	3,480
Interest expense on defined benefit obligation	1,440	1,730
Contributions by participants	570	530
Actuarial (gains) / losses on liabilities	(1,320)	19,720
Net benefits paid out	(1,350)	(1,220)
Past service cost	-	20
Closing defined benefit obligation	107,100	103,020

Notes to the Financial Statements (continued)

Changes to the fair value of assets

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Opening fair value of assets	58,120	56,190
Interest income on assets	820	1,250
Remeasurement gains / (losses) on assets	14,040	(370)
Contributions by the employer	1,670	1,740
Contributions by participants	570	530
Net benefits paid out	(1,350)	(1,220)
Closing fair value of assets	73,870	58,120

Actual return on assets

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Interest income on assets	820	1,250
Gain / (loss) on assets	14,040	(370)
Actual return on assets	14,860	880

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 2021 £	Year ended 31 July 2020 £
Balance brought forward	1,470	58,837
WG grant	752,580	788,333
Interest earned	122	518
	754,172	847,688
Disbursed to students		
Childcare	290,577	397,213
Books and equipment	12,713	137,952
Tuition, exam, and registration fees	16,316	23,031
Transport	130,403	124,961
Other (includes lunch vouchers)	159,438	138,442
Total disbursed to students	609,447	821,599
Administration costs	22,577	23,650
Bank charges	2,741	969
Total disbursements	634,765	846,218
Balance unspent at 31 July	119,407	1,470

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.