



# **Report and Financial Statements**

Year ended 31 July 2022

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**Report of the Governing Body**

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**NATURE, OBJECTIVES AND STRATEGIES:**

The governing body present their annual report, together with the audited financial statements and auditors' report for Coleg y Cymoedd for the year ended 31 July 2022.

**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 21 to 22.

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.

## Implementation of the Strategic Plan for 2019-22

The Strategic Plan for Coleg y Cymoedd runs for a three-year period from 2019 - 2022, which was approved by the Corporation Board July 2019. As a result of the Principal's retirement on 1<sup>st</sup> September 2022, the Corporation Board decided to extend the current strategic plan by one academic year (2022/23) to give the new Principal and Chief Executive Officer the opportunity to contribute and lead on the development of the next 3 year strategic plan 2023-2026.

The strategic plan (2019-2022) 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 2021/22. The COVID 19 pandemic continued to disrupt education and training provision. Whilst all campuses remained open for the whole of the academic year, some lessons were taught online throughout the year to minimise the number of people on campus. Staff and learner absenteeism rose considerably because of staff and learners testing positive to the virus and/or the requirement to self-isolation if deemed to be a positive contact.

### **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 three objectives set for 2021/22. All three objectives were achieved.

Objective	Status
1.1 Evaluate and improve the recruitment, admissions and enrolment processes to ensure the college communicates effectively with prospective learners and enrolls its target number of learners.	<p>Achieved</p> <p>The recruitment and destination group has met on nine occasions since September 2021, with a focus on monitoring the recruitment processes. Data collection has been refined during the year, with monthly reporting on live applications and offers including trend analysis by age, campus, vocational area and secondary schools.</p> <p>New applications and offers compare favourably to previous years across the college as a whole, however there is a decrease in offers made in Ystrad Mynach (YM) compared to last year.</p> <p>There are fewer learners progressing within college, due to lower overall recruitment in 21/22.</p> <p>The admissions team have communicated more frequently with learners this academic year, ensuring that learners on reserve lists receive alternative offers, all learners receive information about starting college and all FT learners are invited in to sit the Wales Essential Skills Toolkit (WEST) assessment. The impact of this has been an increase of learners accepting offers, therefore we expect to see a higher offer to enrolment conversion rate.</p>

Objective	Status
1.2 Evaluate and improve processes to ensure effective information, advice and guidance given to new and progressing learners.	<p>Achieved</p> <p>Learner survey results show:</p> <ul style="list-style-type: none"> <li>• 95.4% said the information they received about college courses was useful</li> <li>• 91.9% said the advice they received helped them choose the right course</li> <li>• 94.8% said it was easy to apply</li> <li>• 95.2% were satisfied with the interview and offer process</li> </ul> <p>The admissions team have improved processes by introducing consultation evenings for all new learners.</p> <p>The college returned to physical open events, holding five of these throughout the year. At each event, vocational areas showcased activities and facilities to enable prospective learners to understand the content of courses and meet our specialist staff.</p>
1.3 Evaluate the skills level of all eligible learners within 6 weeks of enrolment.	<p>Achieved</p> <p>98% of full-time learners assessed via WEST. The remaining 2% were assessed via in class exercises.</p>

**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 2021/22. Two were achieved and progress was made against one.

Objective	Status
2.1 Review and plan the curriculum for DfES funded and Higher Education courses	<p>Achieved</p> <p>The final curriculum plan for 2022/23 has been submitted to Welsh Government.</p>
2.2 Ensure literacy, numeracy & digital skills are embedded in the curriculum and are a key focus for INSET, CPD and quality weeks.	<p>Progress made</p> <p>Over 20 tutorial resources have been produced. Ongoing process of identifying new topics/ subjects to add. Pedagogies also being reviewed.</p> <p>Continuing to add material and build further resources on the dedicated SharePoint site.</p> <p>Awareness resources (core &amp; integral) due to be completed end of academic year ready for Inset 2022-23.</p> <p>Focussed and contextualised CPD has been undertaken by staff to support their digital delivery (CPD and INSET). Continuous Digital CPD available for staff. Digital Champions have been available to support staff.</p>

Objective	Status
2.3 Plan opportunities for all full-time learners to complete enterprise, entrepreneurship activities and work-related activities, developing their employability skills ensuring that these opportunities are being planned and recorded.	<p>Achieved</p> <p>The futures@cymoedd team have worked collaboratively with vocational areas to provide support for learners including skills competitions, TaffLab and What Next? events.</p> <p>Learners achieved 10 Gold and 8 bronze medals in the Welsh Skills Competitions. One learner won the UK Student Pastry Chef of the Year Award.</p> <p>42 learners have registered to take part in the World Skills competition, across IT, engineering, catering, creative industries and vocational access and BIS. Coleg y Cymoedd are hosting the Welsh catering heats.</p> <p>The Employment Bureau has met all WG targets, including supporting 20% of FT learners with employability skills, delivering a careers fayre (FutureFest) and engaging learners in master classes in priority areas.</p>

**Aim 3 – To deliver excellent teaching, learning and support which challenges all learners to achieve their maximum potential.**

There were six objectives set for 2021/22. One has been achieved and progress was made against five.

Objective	Status
<p>3.1 Continue to record and monitor the progress in learning of employability skills through</p> <ul style="list-style-type: none"> <li>• Internal and external competitions</li> <li>• Work experience</li> <li>• Employability activities</li> <li>• Tutorials</li> </ul> <p>Renew the institutional commitment to the above after the effect on these activities from the COVID restrictions.</p>	<p>Progress made</p> <p>Attention in this recovery year has been very much focused on the achievement of main qualification aims as opposed to the full breadth of the pre-Covid learner experience.</p> <p>Nevertheless some significant participation and achievements in competitions, as outlined in 2.3 above.</p> <p>Work experience has started to recover as employers open up and the futures team have been active in both remote and increasingly face to face events to promote employability.</p> <p>The dashboard reports for recording employability are being reviewed and amended in July ready for the 2022/23 academic year.</p>
3.2 Implement a range of action research projects in relation to teaching, learning and support developing innovation and collaboration amongst staff teams.	<p>Progress made</p> <p>Continued activity regarding mental health and wellbeing research (internal and collaborative work). Pilot programme to support learners started 13/6/22.</p> <p>Ten schools (including additional learning provision) continuing the 'staff development and performance programme' all at various stages. Two schools to start 22-23 (Construction and Engineering/ IT). PDF funding in place to support.</p> <p>156 Peer learning applications and 36 School projects received. All schools participating. Final figures of completion being analysed.</p> <p>Journal publication research (Teaching and learning programme impact, leadership, retention is ongoing).</p> <p>Teaching &amp; Learning Festival held in July 2022.</p>

Objective	Status
3.3 Implement a coherent programme of universal learning provision for all learners.	<p>Progress made</p> <p>The new Universal Learning Provision team have now been established and will begin to work with learners to support transition, intervention to prevent learners becoming NEET and to support skills development.</p>
3.4 Implement the requirements of the Additional Learning Needs (ALN) Code for Wales 2021 to ensure that all learners with an ALN are supported to reach their maximum potential.	<p>Progress made</p> <p>ALN training has been delivered to the Governing Body to outline their responsibilities under the Code.</p> <p>The implementation of the action plan was monitored by the ALNET group to ensure all 21/22 actions were completed.</p>
3.5 Evaluate and improve the wellbeing support services offered to all learners.	<p>Achieved</p> <p>Nine additional wellbeing and welfare officers were employed in 21/22. In total there have been over 4000 visits to welfare, with the majority of these seeking support for mental health. There has been an increased focus on proactive approaches to wellbeing, such as wellbeing festivals and bespoke group interventions.</p> <p>The wellbeing strategy group has been formed, meeting twice termly. This group devise and monitor the wellbeing strategic action plan.</p>
3.6 Assess and improve approaches to blended learning to enhance teaching, learning and support.	<p>Progress made</p> <p>Numerous support mechanisms in place to continue to develop staffs blended learning T&amp;L (e.g. digital advocates' course, DA community, TLC support and digital champions).</p> <p>A number of the T&amp;L projects linked to digital to be completed (including DCODE, AR &amp; VR). These were included in the July T&amp;L Festival.</p> <p>Information of online learning observations completed in Quality Weeks. Short report produced and sent to Teaching &amp; Learning Coaches, AP's, Strategic ILT Manager and the CPD lead in the People and Culture team. AP T&amp;L to meet the CPD lead to discuss Inset/ CPD 2022-23.</p> <p>Good progress made in terms of digital capability.</p>

#### Aim 4 – To inspire a culture which encourages continuous quality improvement.

There were five objectives set for 2021/22. Two have been achieved and progress was made against three.

Objective	Status
4.1 Monitor and review the progress made by each school and functional area against their QIAP.	<p>Achieved</p> <p>The school QIAPs have been updated at the appropriate intervals throughout the academic year.</p> <p>Self-assessment review meetings held with each Head of School to ensure the school SARs for 21/22 and QIAPs for 22/23 were completed by 31/08/22, in readiness for the next academic year.</p> <p>Functional area SARs and QIAPs were also completed.</p> <p>The college SAR and QIAP was completed on time.</p>

Objective	Status
4.2 Ensure strategies for improving attendance and punctuality are applied consistently across the college.	<p>Achieved</p> <p>Weekly automated attendance reports were used by Heads of School throughout the academic year, as a means of triggering interventions to support learners and improve attendance, in line with the college's attendance and punctuality strategy.</p> <p>The attendance rate overall was 87%, which was 3% short of the target set. There were two exceptions - childcare and creative industries, which achieved an attendance rate of 91% and 90% respectively. Over 200 courses across the college also had an attendance rate of 90% or better.</p> <p>Information gathered across other colleges and schools indicate that all settings struggled with attendance this year.</p>
4.3 Ensure the areas of focus during quality weeks are pertinent to each school and functional area.	<p>Achieved</p> <p>All three quality weeks were completed as scheduled. The outcomes were reported at various forums, including academic board and the curriculum and quality committee. The findings from the range of activities undertaken will be used to shape things going forward, such as professional development initiatives and quality monitoring activities for 22/23.</p>
4.4 Ensure learner outcomes are consistent and perform strongly when measured against comparable data from across the sector.	<p>Progress made</p> <p>Current indications suggest that the learner outcomes will not be at target this year. However, based on information shared between other colleges in the region, our results are likely to be similar to other FE institutions.</p> <p>The final verified results will not be known until the Autumn term of 22/23.</p>
4.5 Cultivate an environment of reflective practice across all areas of the college.	<p>Progress made</p> <p>Activities that have helped drive this forward this academic year include quality weeks, quality boards, self-assessment review meetings, and the "pause, start, stop, continue" campaign led by the Assistant Principal (Teaching &amp; Learning).</p> <p>This will continue to be a key objective going forward to ensure staff at all levels routinely seek to improve their performance.</p>



**Aim 5 – Plan and support the development of Welsh language/bilingual services and curriculum provision across the college.**

There were four objectives set for 2021/22. All four objectives were achieved.

Objective	Status
5.1 Ensure that the use of Welsh language in formal, informal and social contexts is embedded into the environment of the college.	Achieved  Collaborative project with the National Eisteddfod to host a series of on-campus gigs and workshops to promote the Eisteddfod, which will be coming to Rhondda Cynon Taf in 2024. A bilingual gig was held on each campus. A basic Welsh session relating to St David's Day was delivered by the Welsh Language Manager with the Pathways 4 – Gateway to Employment group at the Nantgarw Campus. An online Welsh-themed quiz for learners and staff. 284 learners and staff took part in the quiz.
5.2 Ensure that all the elements of the Welsh Strategic Development Plan 2018-2023 are embedded across all areas of the college.	Achieved  A new linguistic skills strategy approved by SLT. The Cymraeg Gwaith programme for staff was delivered by the Cymraeg Gwaith (for staff) Tutor. 14 have completed the Cymraeg Gwaith programme (Year 2 and 3 groups) and 9 started the Cymraeg Gwaith self-study programme (Year 1 groups).
5.3 Collaborate with Coleg Cymraeg Cenedlaethol (CCC) to support and realise the objectives outlined in the FE and Apprenticeship Action Plan.	Achieved  Action plan for 2021/22 achieved. New action plan for 2022/23 approved by CCC. Additional funding received from CCC to strengthen provision.
5.4 Continue to embed the Welsh Language Standards across college services and operations.	Achieved  Welsh Language Standards Compliance Report submitted to the Welsh Language Commissioner.

**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 2021/22. Five objectives were achieved, and progress was made against one.

Objective	Status
6.1 Provide clarity about the future direction of the college, through a consultation process with learners, staff, governors and key stakeholders about the 2021/22 objectives. Publish the strategic objectives, monitor progress and provide regular updates. Produce an Annual Stakeholder Report for 2021.	Achieved  Strategic objectives published and the reports from the first and second monitoring point shared on student and staff life.  The annual stakeholder report was published in January 2022.
6.2 Ensure that the range and mix of governors enhance, assist and support the development of the college	Achieved  The balance of experience and expertise of the governing body is good and participation in meetings and other activities is appropriate.  A number of governors leaving during the year led to a recruitment drive and this is ongoing.

Objective	Status
6.3 Encourage participation in decision making through consultation with learners, staff and other stakeholders	<p>Achieved</p> <p>The annual objectives for 2022/23 were considered by governors, staff, learners and key stakeholders. These were approved by the Corporation Board in July.</p> <p>Staff well-being surveys were undertaken throughout the year and the JTUs met with the Director of People &amp; Culture and the VP/COO on a weekly basis. Staff involvement was also encouraged through a number of cross college groups and the involvement of staff and learners in SLT recruitment.</p>
6.4 Develop capabilities of teaching and business support staff to positively impact the future direction of the college.	<p>Achieved</p> <p>Digital training continues to support all staff across the college. An effective practice research project has commenced in the business support areas.</p> <p>INSET days held on 6 &amp; 7 July 2022</p>
6.5 Ensure that access to equipment and connectivity is addressed early in the academic year to support on and off-campus working and blended learning.	<p>Achieved</p> <p>Staff and learners have been supported to work from home for some of their working time throughout the academic year.</p>
6.6 Ensure that performance development reviews (PDRs) focus on developing individuals to ensure high performance and provide support identified in the review.	<p>Progress made</p> <p>PDRs are taking place across the college. Development work ongoing to capture PDRs in I trent (The college's new payroll system).</p>

**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 2021/22. Four objectives were achieved, and progress was made against one.

Objective	Status
7.1 Strengthen new and existing business relationships providing an all-college approach to meet the needs of employers.	<p>Achieved</p> <p>BIS has continued to make new business relationships, responding to employer needs as well as raising awareness of our offer.</p>
7.2 Review BIS Commercial and International offer, ensuring that PLA / ESF / Commercial and PT offer is coherent and maximises income opportunities.	<p>Achieved</p> <p>BIS have continued to meet the needs of employers. Maximising PLA and ESF funding.</p>
<p>7.3. Maintain born digital offer across BIS provision to include:</p> <ul style="list-style-type: none"> <li>• WBL</li> <li>• Commercial</li> <li>• International</li> </ul>	<p>Achieved</p> <p>A born digital offer is fully embedded within WBL. Our commercial provision continues to operate a blended offer.</p>

Objective	Status
7.4 Evaluate the opportunities for funded and international work maximising new WG and UK Government funding streams	<p>Progress made</p> <p>Due to covid and our internal decision to delay international activity, there has been no international delivery. However, we have expressed our interest in new projects for 2022/23.</p>
7.5 Participate in local, regional and national initiatives / groups to ensure the college gathers appropriate LMI to inform curriculum design, and is seen as an economic contributor. To include representation at: CBI, Treforest Growth, CBF, RSP, Curriculum Boards, Strategic WBL group, NTFW and local network groups.	<p>Achieved</p> <p>BIS and SLT members engage in various external stakeholder groups and networks. We are recognised for our contributions and have strong relationships at all levels.</p>

**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 six objectives set for 2021/22. All six objectives were achieved.

Objective	Status
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.	<p>Achieved</p> <p>Increased income received from Welsh Government to cover COVID-19 expenditure and support learners to complete their qualifications. Budgets increased to support the delivery of the curriculum.</p> <p>Management accounts are reviewed at CMT, OMT and Resources Committee.</p>
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.	<p>Achieved</p> <p>Our WBL and PLA contract has grown significantly in 2022/23, this has contributed significantly to the college overall performance. WBL achieved in region of £4.5 million and PLA £2.2m.</p> <p>Our commercial income will achieve agreed reduced target but overall the additional income target was exceeded.</p>
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.	<p>Achieved</p> <p>Business planning completed across all campuses and plans developed to ensure the maximum positive impact on the learning environment and experience.</p> <p>Significant ongoing work includes the Band B work at YM campus to be completed in the Autumn and the Sports Centre at Nantgarw due to complete summer 2023.</p> <p>Significant investment made in digital equipment and this will be fully deployed in 22/23.</p>

Objective	Status
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.	Achieved  External audit of accounts completed in Nov 2021.  All internal audits took place as planned by the end of June 2022.
8.5 Assess the current and future IT and digital needs and ways of improving service delivery across all areas of the college.	Achieved  Quality improvement plan in place. Additional funding received from Welsh Government to purchase digital infrastructure equipment.
8.6 Develop the use of digital technologies to enhance the College's internal and external communication strategy.	Achieved  All staff teams channel launched. This is being used regularly by all areas of the college.  New website launched in November 2021.

### Strategic Plan for 2022/23

In developing the strategic objectives for 2022/23 consultation was held with learners, staff, governors, and key employers. The College's financial objectives for 2022/23 are:

- 7.2 Ensure that BIS maximise commercial opportunities. Achieving allocated contracts and identifying new opportunities.
- 7.4 Evaluate the opportunities for funded and international work maximising new WG and UK Government funding streams
- 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 £4.4m WBL contract, £900k PLA programme and re- establish commercial income to £850k with the aim to exceed targets.
- 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.

A new strategic aim will be introduced in 2022/23. The college aims to be a leading sustainable college promoting a better environment for future generations. The aim has five objectives for 2022/23:

- 5.1 Gather views on sustainability to establish net zero targets
- 5.2 Develop and deliver carbon literacy training to staff and learners
- 5.3 Plan an estates strategy in line with net zero targets including targets for energy, waste and travel reduction
- 5.4 Work with partners to establish a sustainable supply chain.
- 5.5 Measure the college carbon footprint using existing data. Develop a plan to measure Scope 3 emissions.

A new post at SLT was created in September 2022 to lead in this important area. The Assistant Principal for Sustainable Futures will devise, deliver and implement strategies to ensure that learners have an effective mix of knowledge, skills and attributes so that they are more likely to gain employment and be successful in their chosen occupation and career path which benefits themselves, the workforce, the community and the economy. In doing so they will ensure that all young people are supported to understand and apply sustainable thinking as they consider their career pathway options and make decisions about their future that are good for them and for the planet.

**Report of the Governing Body****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:

	2021/2022 £'000	2020/2021 £'000
Deficit before other gains and losses	(995)	(426)
Net cash inflow from operating activities	6,150	7,690
Total net assets / (liabilities)	32,264	8,157
Days net liquid assets to total expenditure	121.1	97.8
Current ratio	1.79	1.54
WG grant as % of total income	93.05%	92.1%
EBITDA (earnings before interest, tax, depreciation, and amortisation) and before non-cash defined benefit obligations	4,168	4,253

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

**FINANCIAL POSITION****Financial results**

2021/22 was the ninth 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 2021/2022 £'000	Actual 2020/2021 £'000
Income	57,524	51,829
Expenditure	58,519	52,255
Deficit before other gains and losses	(995)	(426)
Total Comprehensive Income/(expense) for the year	24,109	14,934
Surplus before other gains and losses (excluding FRS102 pension charges) *	2,859	3,264
Surplus (as * above) as % of income	5.0%	6.3%

The College generated a deficit before other gains and losses in the year of £995k (2020/21: £426k), with total comprehensive income of £24,109k (2020/21: £14,934k). This large movement on total comprehensive income for the year is due primarily to the actuarial gains in respect of pension schemes in 2021/22 of £25,100k (2020/21: £15,360k).

The College has a surplus on its Income and Expenditure reserve of £27,710k (2021: £3,556k) and cash and short-term investment balances of £19,443k (2021: £14,006k). The accumulated reserves have increased in the last year due to a decrease in the defined benefit pension obligation of £21,250k. 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 21<sup>st</sup> Century Schools Band B Project.

Tangible fixed asset additions during the year amounted to £6,645k. This was split between assets under construction of £3,858k, land and buildings of £76k and equipment purchases of £956k. Assets under construction included the Sports Centre at Nantgarw and Band B works.

The College had net assets of £32,264k at 31 July 2022, up from £8,157 at 31 July 2021. The main reasons for this increase is the reduction in the defined benefit pension obligations of £21,250k and an increase in cash, cash equivalents and investments of £5,437k.

**Report of the Governing Body**

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EBITDA has reduced slightly from £4,253k in 2020/21 to £4,168k in 2021/22. 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 2021/22 the WG provided 93.05% (2020/21: 92.1%) 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 £3,850k (net interest cost of £550k, current/past service costs of £5,150k less employer contributions of £1,850k) (2021: £3,690k) arising because of accounting for the LGPS in accordance with FRS 102. The LGPS provision recognised on the balance sheet has decreased in the year by £21,250k to £11,980k (2021: decrease of £11,670k). 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 £6,150k (2021: £7,690k), net cash flow from operating activities is very strong. The net cash flow resulted from the management of resources.

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

Liquidity as measured by the Current Ratio increased to 1.79 in 2021/22 compared to 1.54 in 2020/21 and is comparable with the Welsh average, which is 1.79 according to WG statistics for 2020/21. The Days of Net Liquid Assets Ratio reveals 121.1 days compared to 97.8 days in 2020/21. The sector average for 2020/21 was 128 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 continue.

**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 £27,710k (2021: £3,556k). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.



**Report of the Governing Body**

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**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 2021 to 31 July 2022, the College paid 95.68 per cent of its invoices within 30 days (2021: 95.18%). 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 2021/22 the College provided opportunities for over 13,000 learners, including:

- 4,440 learners on full-time courses
- 362 learners on higher education courses
- 1,136 learners on ESF courses
- 7,108 adults studying on a part-time basis

**2021/22 – the College's performance and Learner Achievements**

Like 2020/21, 2021/22 proved to be a difficult year operating under COVID-19 restrictions on all campuses for most of the academic year until the Welsh Government lifted restriction in May 2022. Indeed, many more staff and learners tested positive for COVID-19 in 2021/22 compared to 2020/21 as restrictions were lifted resulting in a loss of learning time.

Many learners responded well to these changes – adapting to on-line working and changing the order of the curriculum delivery to suit. However, despite additional support, some learners were unable to cope with these disruptions and affected the College's performance in the year, which are outlined below:

- Attendance in 2021/22 is 87%, which is the same as 2020/21 but 1% lower than 2019/20.
- The completion rate for main qualifications dropped by 1% from 87% in 2020/21 to 86% in 2021/22.
- The attainment rate for main qualifications dropped by 4% from 93% in 2020/21 to 89% in 2021/22
- The successful completion rate for main qualifications dropped by 4% from 81% in 2020/21 to 77% in 2021/22
- The learner survey was positive about teaching and learning including the following:
  - 96% of learners stated that the development of their literacy and numeracy and digital skills were supported by their tutors.
  - 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).
  - 97% of learners stated that their tutor uses a range of digital technologies and Apps (eg moddle, Office365, onenote, onedrive, Forms).
  - 95% stated that their lessons were varied and interesting.
  - 98% stated that their course tutor is supportive and helpful.
  - 97% stated that their course tutor communicates in a way that they understand.
  - 97% stated that their Tutors clearly explain the work they must do.
  - 98% stated that the teaching on their course was good.
  - 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

## Overall college results

	Main qualifications			
	2018/19	2019/20	2020/21	2021/22
<b>Completion</b>	90%	93%	87%	86%
<b>Attainment</b>	95%	93%	93%	89%
<b>Successful completion</b>	85%	86%	81%	77%

Figure 1.1

	All qualifications			
	2018/19	2019/20	2020/21	2021/22
<b>Completion</b>	91%	90%	88%	87%
<b>Attainment</b>	92%	92%	92%	89%
<b>Successful completion</b>	84%	83%	81%	77%

Figure 1.2

Figures 1.1 and 1.2 show our completion, attainment, and successful completion rates for main qualifications and all qualifications for the last four academic years. The baseline year of 2018/19 was the last academic year before the onset of the Covid-19 pandemic. Unfortunately, we have seen 1% drop in the number of learners completing their programme of study this year when compared to last, with 5% fewer attaining their main qualification. We have also seen a 4% drop in the attainment of all qualifications, which includes all of the elements of a full time programme (i.e., main qualifications and core), as well as any qualification completed on a part time or evening basis. Fewer learners completing their programme, coupled with fewer learners that did complete but did not attain, has resulted in a 5% drop in successful completion for main qualifications, and a 5% drop in the successful completion of all qualifications, this year. We are disappointed with this outcome.

## 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:

## Learners

- Josie Wheeler, one of our talented catering learners, was awarded the title of the 2022 UK Young Student Pastry Chef of the Year, at the grand finals held at the Hotel Café Royal in London.
- Paige Morris, a dedicated electrical apprentice studying at our Ystrad Mynach campus, won the title of Sparks Magazine Learner of the Year at the Welsh regional heats, competing against learners from Coleg Gwent, Gower College, CAVC, and JTL Birmingham.
- Ruben Duggan, who this year completed his fourth year of plumbing at the college, won the Welsh regional final of the HIP plumbing awards, beating off stiff competition from learners across Wales.
- Learners from the schools of Engineering, and Creative Industries joined forces with Wild Connect, Newport Wafer Fab, CSA Catapult, and GX- Group to develop and create 35 Biophones at our Nantgarw campus. The devices will be installed in parts of Wales and Namibia and will monitor the sounds of animals and ecosystems in the region as part of a pilot environmental project led by Wild Connect.

## Staff

- A research-based approach to Effective Teaching and Learning Programme which has been peer reviewed and published.
- 11 members of staff were supported to complete a teaching qualification and a further 28 staff were supported to complete qualifications, ranging from level 4 to level 7.
- Developing a digital advocates training programme for staff. Over 100 staff completed the programme.
- 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.



**Report of the Governing Body**

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**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 Caerdav.
- 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.

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. UK Economy

In August 2022 the Bank of England headline forecast is for a recession of the scale experienced in the early 1990s. Following a near doubling in gas prices since the Bank's last report in May, household energy bills are set to rise by 75% in October. This will put energy bills three times higher than a year ago, and push the economy firmly into recession for over a year, on the basis that interest rates follow market expectations and rise to 3%. In June 2022, inflation hit a 40-year high and is set to remain strong for the remainder of the year as price pressures continue to work their way through the supply chain. Inflation is expected to top 13% in Quarter 4. The increased rate of inflation will put extreme pressure on the college budget with higher energy bills and higher costs for consumables across each area of the college. High inflation could also lead to a higher pay award due to cost-of-living crisis.

2. Labour market remains tight

Employment levels continue to rise, with vacancies remaining near their record highs. We expect some softening in the labour market as demand wanes across the economy, pushing up unemployment slightly over the next year or so.

**Principal risks and uncertainties (continued)**

## 3. Government policy

Several 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 1<sup>st</sup> April 2022 (which was reversed in November 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.

## 4. 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 Welsh Government 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 Welsh Government 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.

## 5. 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.

## 6. 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.

## 7. 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.

**Future Prospects**

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.

**Report of the Governing Body**

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**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. £6.9m) and £21.1m held in current assets. Included in current assets is £6.1m held in short term deposits and £4.0m in other investments, which it plans to use for capital investment in the Sports Centre and Band B refurbishment works to the Ystrad Mynach campus.

**Financial**

The College has net assets of £35,696k (including £8,548k pension liability) and long-term debt of £4,353k.

**People**

The College employs 677 staff (expressed as full-time equivalents), of whom 324 are teaching staff.

**Ongoing and planned investments**

The College continues to invest in facilities to enhance the learner experience and recruit and retain more learners. On the Rhondda campus, further refurbishment took place to upgrade a variety of learning spaces, toilets, and staff offices. At Nantgarw, building work recommenced on the new sports facility at Nantgarw. At Ystrad Mynach, the developments included a commercial standard training kitchen, a purpose build gym with changing facilities, a science laboratory, a robotic studio to enhance the engineering curriculum and flexible teaching spaces and staff offices. The remainder of Band B work is planned for the Ystrad Mynach campus in 2022/23 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.

**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 £4,835k of loans outstanding with financial institutions and WG (both secured and unsecured) on terms negotiated in 2012, 2016 and 2018. The terms of the existing agreements are for up to another 14 years, with £482k being payable next year. The College's forecasts and financial projections (which include monthly management accounts, WG 3 year forecasts and a rolling 12 month cash flow forecast), 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. The WG has indicated a small funding increase for 2023/24. With inflation and costs of living continuing to escalate, any increase in funding from Welsh Government will immediately be absorbed by staff pay. As with previous years, the College will seek additional funding from WG before a pay award is agreed with staff. The increase in energy costs are a significant concern across the FE sector in Wales. The college continues to work with Colleges Wales to articulate the challenges faced post pandemic, by the cost of living crisis, to ensure a flexible approach to supporting the FE sector from Welsh Government in its future budget. The college will seek an increase in the unit rate to absorb these additional costs. The college has planned for the loss of EU funding over the past 2 years. There is continuing uncertainty around the delivery of the Shared Prosperity Fund, which could act as a replacement to EU funding.

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.

**Report of the Governing Body**

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**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 2021/22, 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 2022, 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.

**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. During the pandemic the strategic leadership team has introduced 'live' question and answer sessions and weekly briefing notes to staff to increase the level of communication.

**Report of the Governing Body**

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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  
1<sup>st</sup> 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 19 December 2022 and signed on its behalf by:



**P Smart**  
**Chair of Governors**

**Statement of Responsibilities of the Members of the Corporation**

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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 between the Welsh Government and the Governing Body of the College, the Governing Body, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, the Accounts Direction for Further Education Colleges in Wales 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 period.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and 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 accounts 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

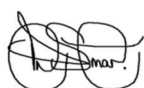
The Corporation is also required to prepare a Members' report (Strategic Report) which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College (see Report of the Governing Body above).

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 to safeguard its assets and to prevent and detect fraud and other irregularities.

The Corporation is responsible for the maintenance and integrity of its website(s); the work carried out by auditors does not involve consideration of these matters and, accordingly, 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 19 December 2022 and signed on its behalf by:



**P Smart**  
**Chair of Governors**



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

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2021 to 31 July 2022 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 2022. 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 21/22	
				Board	Comm
N Bayford (Corporation Chair to 31/08/2022)	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 2/2 4/4 8/9
L Bolderson (Vice Chair Audit from 13/06/2022)	Member	22/03/21 Appointed	Audit	4/4	2/3
D Bull (Chair Audit to 17/05/2022)	Member	01/08/13 Appointed 01/08/15 Re-appointed 01/08/19 Re-appointed 17/05/2022 Resigned	Audit Search Selection	3/3	2/2 3/3 0/1
G Davies	Member (RCT local authority)	01/08/2021 Appointed	Curriculum & Quality	2/4	3/3
T Dancovici	Staff Member	20/06/19 Appointed	Curriculum & Quality	4/4	1/3
S Davies (Vice-Chair Resources to 31/08/2022, Corporation Vice-Chair from 01/09/2022)	Member	01/10/18 Appointed 29/09/2022 Re-appointed	Resources Selection	4/4	3/3 6/8
R Deaghani	Member	01/08/2022 Appointed	Resources	N/A	N/A
A Diplock (Chair Resources from 01/09/2022)	Member	01/09/17 Appointed 01/08/21 Re-appointed	Resources Search Remuneration Selection	4/4	2/3 4/4 2/2 6/9
R Edmunds	Member (Caerphilly local authority)	26/09/22 Appointed	Curriculum & Quality	N/A	N/A
R Evans (Vice-Chair Curriculum & Quality to 31/08/2022, Chair Curriculum & Quality from 01/09/2022)	Member	01/06/18 Appointed Co-opted member 01/10/18 Appointed full member 30/09/2022 Re-appointed	Curriculum & Quality Selection	4/4	3/3 2/2
S Farquharson	Member (Caerphilly local authority)	01/01/15 Appointed 01/08/19 Re-appointed 12/07/2022 Resigned	Curriculum & Quality	3/4	2/3

R Fullylove	Staff Member	27/11/19 Appointed	Resources	1/4	1/3
R Grant	Student Member	01/08/2022 Appointed	Curriculum & Quality	N/A	N/A
M Harding (Chair Curriculum & Quality to 31/08/2022, Vice-Chair Curriculum & Quality from 14/11/2022)	Member	01/08/13 Appointed 01/08/16 Re-appointed 01/08/20 Re-appointed	Curriculum & Quality Audit (from 28/03/2022) Search Remuneration Selection	3/4	2/3 1/1 4/4 2/2 2/2
G Hughes	Student Member	01/08/2022 Appointed 31/07/2022 Term ended	Curriculum & Quality	1/4	1/3
K Kerswell	Member	30/09/19 Appointed 13/05/2022 Resigned	Audit (to 28/03/2022) Curriculum & Quality	1/3	2/2 1/2
M Lippard	Member	01/08/13 Appointed 01/08/16 Re-appointed 30/03/20 Re-appointed	Resources (to 28/03/2022) Audit (from 28/03/2022) Selection	4/4	1/2 1/1 3/4
M Morgan	Student Member	04/02/21 Appointed 31/07/2022 Term ended	Curriculum & Quality	2/4	1/3
J Morgan (Principal from 01/09/2022)	Principal	01/09/2022 Appointed	Resources Curriculum & Quality Search Selection	N/A	N/A
K Phillips (Principal to 31/08/2022)	Principal	01/01/19 Appointed	Resources Curriculum & Quality Search Selection	4/4	3/3 3/3 4/4 3/4
Cllr J Rosser	Member (RCT local authority)	01/08/17 Appointed 01/08/21 Re-appointed 08/04/2022 Resigned	Audit	1/3	0/2
L Simonov	Student Member	26/09/22 Appointed	Curriculum & Quality	N/A	N/A
Dr P Smart (Corporation Vice-Chair to 31/08/2022, Corporation Chair from 01/09/2022, Resources Chair to 31/08/2022)	Member	01/08/13 Appointed 01/08/15 Re-appointed 01/08/19 Re-appointed 01/08/2023 Re-appointed (confirmed 13/12/2021)	Resources Search Remuneration Selection	3/4	3/3 4/4 2/2 8/9
C Thomas (Resources Vice-Chair from 01/09/2022)	Member	01/11/16 Appointed 01/10/20 Re-appointed	Resources	1/4	3/3
L Wakefield	Member	26/09/22 Appointed	Audit	N/A	N/A
P Wright (Audit Vice-Chair to 13/06/2022, Audit Chair from 13/06/2022)	Member	25/04/18 Appointed 25/04/2022 Re-appointed	Audit Search Selection	3/4	3/3 1/1 3/4
<b>Committee Co-opted</b>					
G Davies	Co-opted Member	01/08/2022 Appointed	Curriculum & Quality	N/A	N/A
J Dunn	Co-opted Member	01/08/2022 Appointed	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 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:



**Statement of Corporate Governance and Internal Control**

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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.

**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 learners, 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.

**Statement of Corporate Governance and Internal Control**

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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.

**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 2022 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 People & Culture 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, people & culture, 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 Audit Committee, on compliance issues such as the Welsh language standards, information security and data protection.

**Statement of Corporate Governance and Internal Control**

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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. The principal is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

**The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically. The system of internal control has been in place in the College for the year ended 31 July 2022 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 2022 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.

**Statement of Corporate Governance and Internal Control**

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The College has an internal audit service, which operates in accordance with the requirements of the Welsh Government 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.

**Statement from the Audit Committee**

The Audit Committee provides an annual report to the Board detailing its work during the year which has informed its assurance statement to the Corporation on the effectiveness of the college risk management, governance and internal controls.

In its report to the Board presented at the meeting on 19 December 2022, the Audit Committee confirmed its opinion that:

*"Based on the evidence of the work undertaken by the Internal and External Auditors and the College's senior staff, the Committee is of the opinion that the College has satisfactory and effective arrangements in place for risk management, internal control, and governance."*

**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 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 Strategic 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 strategic leadership team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the strategic 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 2022 by considering documentation from the strategic leadership team and internal audit and taking account of events since 31 July 2022.

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."*

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

As part of their annual declarations, members are invited to make suggestions about additional training needs either collectively or individually. Training is then offered throughout the academic year based on these suggestions and the needs of the College/ Corporation at the time.

During the 2021/22 academic year, Governors were invited to partake in the following training sessions and events (internal and external):

New Governor induction training	13 September 2021 (online for all new starters)
Microsoft TEAMS refresher hints & tips/ meeting protocol	14 September 2021 (shared via email)
College Development Network (CDN): Exploring the complexities of college governance	23 September 2021 (online via CDN)
Chair/ Vice-Chair training	27 September 2021 (online)
Student Governor training – strategic aims/ objectives & financials	14 October 2021 (in person)
Additional Learning Needs tribunal training	3 November 2022 & 25 November 2022 (online via Colegau Cymru)
Social Partnership Bill – deputy minister Q&A	17 March 2022 (online via Colegau Cymru)
Additional Learning Needs training	23 March 2022 (online)
Learner awards	30 June 2022 (in person)
PREVENT training	22 June 2022 (online)
Staff awards	8 July 2022 (in person)

All training and events were available to all members and the Governance Officer, and all internal online sessions were recorded to enable all members to catch up at a convenient time if they were unable to attend.

The Governance Officer also attends regular Wales FE Clerks meetings as well as reviewing any relevant correspondence, publications or other relevant information as and when the time requires.

**Annual self-assessment: Code of Good Governance**

The Corporation currently undertakes an annual assessment of effectiveness against the Code and a member, the Principal and Governance Officer are assigned responsibility for leading the review. The Search Committee completed its initial review in May 2022 and the findings were presented to the Corporation at the meeting on 4 July 2022. The Corporation was satisfied that it was effective in its work and that all obligations were either partially or fully met. Where the college only partially met an obligation, this related to on-going member recruitment, developing alternative benchmarking data with other colleges and a need to increase the amount of networking and commercial opportunities now that COVID-19 restrictions were easing.

**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 £4,835k of loans outstanding with financial institutions and WG (both secured and unsecured) on terms negotiated in 2012, 2016 and 2018. The terms of the existing agreements are for up to another 14 years, with £482k being payable next year. The College's forecasts and financial projections (which include monthly management accounts, WG 3 year forecasts and a rolling 12 month cash flow forecast), 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. The WG has indicated a small funding increase for 2023/24. With inflation and costs of living continuing to escalate, any increase in funding from Welsh Government will immediately be absorbed by staff pay. As with previous years, the College will seek additional funding from WG before a pay award is agreed with staff. The increase in energy costs are a significant concern across the FE sector in Wales. The college continues to work with Colleges Wales to articulate the challenges faced post pandemic, by the cost of living crisis, to ensure a flexible approach to supporting the FE sector from Welsh

Government in its future budget. The college will seek an increase in the unit rate to absorb these additional costs. The college has planned for the loss of EU funding over the past 2 years. There is continuing uncertainty around the delivery of the Shared Prosperity Fund, which could act as a replacement to EU funding.

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 19 December 2022 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'P Smart', written over a circular stamp.

**P Smart**  
**Chair of Governors**

A handwritten signature in black ink, appearing to be 'J Morgan', written over a horizontal line.

**J Morgan**  
**Principal/Accounting Officer**

**Statement of Regularity, Propriety and Compliance**

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As accounting officer, I confirm that the college has had due regard to the requirements of grant funding agreements and contracts with the Welsh Government and has considered its responsibility to notify the Welsh Government of material irregularity, impropriety and non-compliance with terms and conditions of funding.

I confirm on behalf of the college that after due enquiry, and to the best of my knowledge, I am 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 grant funding agreements and contracts with the Welsh Government, or any other public funder.

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

Signed on 19 December 2022 by:



**J Morgan**  
**Principal/Accounting Officer**

Statement of the chair of governors on behalf of the college, I confirm that the accounting officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.

Signed on 19 December 2022 by:



**P Smart**  
**Chair of Governors**



# ***Independent auditors' report to the Corporation of Coleg y Cymoedd (the "institution")***

## **Report on the audit of the financial statements**

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### **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 2022, 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 2022; 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.

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### **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.

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### **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.

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### **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.

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### **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](http://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.

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## Other Required Reporting

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### **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: 19 December 2022

**Statement of Comprehensive Income and Expenditure for the year ended 31 July 2022**

	Notes	2021/22 £'000	2020/21 £'000
<b>INCOME</b>			
Funding body grants	2	53,528	47,738
Tuition fees and education contracts	3	1,378	1,706
Other grants and contracts	4	961	1,029
Other income	5	1,589	1,328
Investment income	6	68	28
<b>Total income</b>		<b>57,524</b>	<b>51,829</b>
<b>EXPENDITURE</b>			
Staff costs	7	35,293	33,173
Other operating expenses	9	18,949	15,065
Depreciation	12	3,595	3,224
Interest and other finance costs	10	682	793
<b>Total expenditure</b>		<b>58,519</b>	<b>52,255</b>
<b>Deficit before other gains and losses</b>		<b>(995)</b>	<b>(426)</b>
Profit / (loss) on disposal of assets		4	-
<b>Deficit for the year</b>		<b>(991)</b>	<b>(426)</b>
Actuarial gain in respect of pension schemes		25,100	15,360
<b>Total Comprehensive Income for the year</b>		<b>24,109</b>	<b>14,934</b>
<b>Represented by:</b>			
Unrestricted comprehensive income		24,109	14,934
		<b>24,109</b>	<b>14,934</b>

**Statement of Changes in Reserves for the year ended 31 July 2022**

	Income and Expenditure Account £'000	Revaluation Reserve £'000	Total Unrestricted Reserves £'000
<b>Balance as at 1st August 2020</b>	<b>(11,425)</b>	<b>4,648</b>	<b>(6,777)</b>
Deficit for the year	(426)	-	(426)
Other comprehensive income	15,360	-	15,360
Transfers between revaluation and income and expenditure reserves	47	(47)	-
<b>Total comprehensive income for the year</b>	<b>14,981</b>	<b>(47)</b>	<b>14,934</b>
<b>Balance at 31st July 2021</b>	<b>3,556</b>	<b>4,601</b>	<b>8,157</b>
Deficit for the year	(991)	-	(991)
Other comprehensive income	25,100	-	25,100
Adjustment re: Pension	(2)	-	(2)
Transfers between revaluation and income and expenditure reserves	47	(47)	-
<b>Total comprehensive income for the year</b>	<b>24,154</b>	<b>(47)</b>	<b>24,107</b>
<b>Balance as at 31st July 2022</b>	<b>27,710</b>	<b>4,554</b>	<b>32,264</b>

## Balance Sheet as at 31 July 2022

	Note	2021/22 £'000	2020/21 £'000
<b>Non-current assets</b>			
Tangible fixed assets	12	93,694	91,367
		<b>93,694</b>	<b>91,367</b>
<b>Current assets</b>			
Trade and other receivables	13	1,695	1,729
Investments	14	4,000	-
Cash and cash equivalents	19	15,443	14,006
		<b>21,138</b>	<b>15,735</b>
<b>Creditors - amounts falling due within one year</b>	15	(11,832)	(10,220)
<b>Net current assets</b>		<b>9,306</b>	<b>5,515</b>
<b>Total assets less current liabilities</b>		<b>103,000</b>	<b>96,882</b>
Creditors - amounts falling due after more than one year	16	(57,647)	(54,139)
<b>Provisions</b>			
Defined benefit pension obligations	18	(11,980)	(33,228)
Other provisions	18	(1,109)	(1,358)
<b>TOTAL NET ASSETS / (LIABILITIES)</b>		<b>32,264</b>	<b>8,157</b>
<b>Unrestricted Reserves</b>			
Income and expenditure account		27,710	3,556
Revaluation reserve		4,554	4,601
<b>TOTAL UNRESTRICTED RESERVES</b>		<b>32,264</b>	<b>8,157</b>

The financial statements on pages 32 to 55 were approved and authorised for issue by the Corporation on 19 December 2022 and were signed on its behalf on that date by:



**P Smart**  
Chair of Governors



**J Morgan**  
Principal/Accounting Officer

**Statement of Cash Flows FOR THE YEAR ENDED 31 July 2022**

	Note	2021/22 £'000	2020/21 £'000
<b>Cash flow from operating activities</b>			
Deficit for the year		(991)	(426)
<b>Adjustment for non-cash items</b>			
Depreciation		3,595	3,224
(Increase) / decrease in debtors		47	(339)
(Decrease) / increase in creditors due within one year		1,374	3,908
(Decrease) increase in provisions		(249)	(156)
Pensions costs less contributions payable		3,300	3,070
Pension finance cost		550	620
Deferred capital grants released to income		(2,259)	(2,356)
<b>Adjustment for investing or financing activities</b>			
Investment income receivable		(68)	(28)
Interest payable		132	173
Profit on sale of fixed assets		(4)	-
Other items		723	-
<b>Net cash flow from operating activities</b>		<b>6,150</b>	<b>7,690</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		3	-
Investment income received		55	29
New deposits		(4,000)	-
Payments made to acquire fixed assets		(6,645)	(7,314)
Deferred capital grants received		6,467	3,015
		<b>(4,119)</b>	<b>(4,270)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(133)	(145)
Repayments of amounts borrowed		(461)	(630)
		<b>(594)</b>	<b>(775)</b>
<b>Increase in cash and cash equivalents in the year</b>	19	<b>1,437</b>	<b>2,645</b>
Cash and cash equivalents at beginning of the year		14,006	11,361
Cash and cash equivalents at end of the year		15,443	14,006

**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 2021 to 2022* 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 £4,835k of loans outstanding with financial institutions and WG (both secured and unsecured) on terms negotiated in 2012, 2016 and 2018. The terms of the existing agreements are for up to another 14 years, with £482k being payable next year. The College’s forecasts and financial projections (which include monthly management accounts, WG 3 year forecasts and a rolling 12 month cash flow forecast), 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. The WG has indicated a small funding increase for 2023/24. With inflation and costs of living continuing to escalate, any increase in funding from Welsh Government will immediately be absorbed by staff pay. As with previous years, the College will seek additional funding from WG before a pay award is agreed with staff. The increase in energy costs are a significant concern across the FE sector in Wales. The college continues to work with Colleges Wales to articulate the challenges faced post pandemic, by the cost of living crisis, to ensure a flexible approach to supporting the FE sector from Welsh Government in its future budget. The college will seek an increase in the unit rate to absorb these additional costs. The college has planned for the loss of EU funding over the past 2 years. There is continuing uncertainty around the delivery of the Shared Prosperity Fund, which could act as a replacement to EU funding.

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.

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

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.

**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.

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

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

***Rhondda Cynon Taff Local Government Pension Scheme (RCT LGPS)***

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

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.



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

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

**Assets under construction**

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

**Subsequent expenditure on existing fixed assets**

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

**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 1<sup>st</sup> 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 1<sup>st</sup> 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 2022. 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**

	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
Core Recurrent funding	33,992	32,577
Other recurrent funding	7,079	3,852
Covid related funding	5,501	5,722
Release of WG capital grants	1,969	2,066
Work-based learning	4,987	3,521
<b>Total</b>	<b>53,528</b>	<b>47,738</b>

## Notes to the Financial Statements (continued)

## 3. Tuition Fees and Education Contracts

	2021/22 £'000	2020/21 £'000
EU (including home) tuition fees	328	208
HE fees	770	1,063
Examination fees and expenses (non-EU community)	32	15
<b>Total fees paid by or on behalf of individual students</b>	<b>1,130</b>	<b>1,286</b>
<b>Education contracts</b>		
Higher Education income	174	237
Other contracts (including Local Education Authority)	74	183
<b>Total</b>	<b>1,378</b>	<b>1,706</b>

## 4. Other Grants and Contracts

	2021/22 £'000	2020/21 £'000
European Commission grants	782	909
Other grants and contracts	179	120
<b>Total</b>	<b>961</b>	<b>1,029</b>

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:

	2021/22 £'000	2020/21 £'000
Income received from WEFO	1,216	1,427
Payments to other Partners	(433)	(519)
College Expenses	(636)	(640)
<b>Total</b>	<b>147</b>	<b>268</b>

## 5. Other Income

	2021/22 £'000	2020/21 £'000
Catering	-	1
Releases from deferred capital grants (non-WG)	279	290
Other income-generating activities	385	299
Other income	925	738
<b>Total</b>	<b>1,589</b>	<b>1,328</b>

## 6. Investment Income

	2021/22 £'000	2020/21 £'000
Interest receivable	68	28
<b>Total</b>	<b>68</b>	<b>28</b>

## 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, together with their costs was:

	2021/22		2020/21	
	Average No.	£'000	Average No. Restated	£'000
Teaching and learning departments	367	17,511	354	16,497
Teaching and learning support services	154	4,983	156	4,943
Other support services	113	2,777	118	2,902
Administration and central services	130	5,449	108	4,466
General education expenditure	4	158	3	131
Premises	23	880	24	864
Other income generating activities	9	336	9	324
<b>Sub-Total</b>	<b>800</b>	<b>32,094</b>	<b>773</b>	<b>30,127</b>
Staff restructuring		43		19
Enhanced pension credit/(charge)		(144)		(43)
FRS102 pension top-up charge (note 24)		3,300		3,070
<b>Total</b>		<b>35,293</b>		<b>33,173</b>

## Staff costs

	2021/22 £'000	2020/21 £'000
Wages and salaries	24,464	22,997
Social security costs	2,584	2,306
Other pension costs	8,202	7,851
<b>Payroll sub total</b>	<b>35,250</b>	<b>33,154</b>
Restructuring costs* - Contractual	43	16
- Non-contractual	-	3
<b>Total staff costs</b>	<b>35,293</b>	<b>33,173</b>

\*During the year, a voluntary restructuring exercise took place, resulting in a release of 1(2021: 1) member(s) of staff at a cost of £43k (2021: £19k).

A pay award of 1.75% for all staff was approved by the Corporation with effect from 1 August 2021. The pay award for 2020 applied different rates to different categories of staff – see table below. The reason for this was additional funding 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%

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 Strategic 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

	2021/22 No.	2021/22 FTE No.	2020/21 No.	2020/21 FTE No.
The number of key management personnel including the Principal/Accounting Officer was:	7	7.0	7	7.0

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

	Key Management Personnel		Other Higher Paid Staff	
	2021/22 FTE	2020/21 FTE	2021/22 FTE	2020/21 FTE
£60,001 to £65,000	-	-	9.0	-
£65,001 to £70,000	4.0	4.0	-	-
£90,001 to £95,000	2.0	2.0	-	-
£145,001 - £150,000	-	1.0	-	-
£150,001 - £155,000	1.0	-	-	-
<b>Total</b>	<b>7.0</b>	<b>7.00</b>	<b>9.0</b>	<b>-</b>

Key management personnel emoluments are made up as follows:

	2021/22 £	2020/21 £
Basic salaries	613,016	587,906
Benefits in kind	7,333	6,693
	620,349	594,599
Pension contributions	133,979	130,110
<b>Total key management personnel emoluments</b>	<b>754,328</b>	<b>724,709</b>

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

	2021/22 £	2020/21 £
Basic salary	148,245	145,695
Benefits in kind	2,434	2,221
	150,679	147,916
Pension contributions	28,166	27,682
<b>Total emoluments</b>	<b>178,845</b>	<b>175,598</b>

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 Principal, Vice Principals and Assistant Principals received the same pay award as all other College staff.

No members of the key management personnel took advantage of the College's cycle to work salary sacrifice scheme in 2021/22 (2020/21: 1).

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

	2021/22	2020/21
Principal's basic salary as a multiple of the median of all staff *	4.99	4.57
Principal's total remuneration as a multiple of the median of all staff #	4.83	4.40

\* 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 2021/22 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:

	2021/22 No. of Governors	2021/22 £	2020/21 No. of Governors	2020/21 £
Travel expenses	2	275	-	-

**9. Other Operating Expenses**

	2021/22 £'000	2020/21 £'000
Teaching costs	3,585	3,673
Non – teaching costs	7,163	6,200
Premises costs	8,201	5,192
<b>Total</b>	<b>18,949</b>	<b>15,065</b>



## Notes to the Financial Statements (continued)

	2021/22 £'000	2020/21 £'000
<b>Other operating expenses include:</b>		
External auditors' remuneration		
- Financial statements audit	46	36
- Other services provided by the financial statements auditors	12	11
Internal auditors' remuneration	24	24
Profit on disposal of non-current assets	(4)	-
Hire of assets operating leases	29	40

**10. Interest and Other Finance Costs**

	2021/22 £'000	2020/21 £'000
On bank loans, overdrafts, and other loans	132	173
	132	173
Net interest on defined pension liability (Note 24)	550	620
<b>Total</b>	<b>682</b>	<b>793</b>

**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
<b>Cost or valuation</b>				
At 1 August 2021	109,534	3,858	10,830	124,222
Additions	76	5,613	956	6,645
Transfers	4,096	(4,088)	(8)	-
Adjustments *	(723)	-	-	(723)
Disposals	-	-	(25)	(25)
<b>At 31 July 2022</b>	<b>112,983</b>	<b>5,383</b>	<b>11,753</b>	<b>130,119</b>
<b>Accumulated depreciation</b>				
At 1 August 2021	(24,364)	-	(8,491)	(32,855)
Disposals	-	-	25	25
Charge for the year	(2,596)	-	(999)	(3,595)
<b>At 31 July 2022</b>	<b>(26,960)</b>	<b>-</b>	<b>(9,465)</b>	<b>(36,425)</b>
<b>Net book value at 31 July 2022</b>	<b>86,023</b>	<b>5,383</b>	<b>2,288</b>	<b>93,694</b>
Net book value at 31 July 2021	85,170	3,858	2,339	91,367
Inherited	4,554	-	-	4,554
Financed by capital grant	53,082	1,902	1,328	56,312
Other	28,387	3,481	960	32,828
<b>Net book value at 31 July 2022</b>	<b>86,023</b>	<b>5,383</b>	<b>2,288</b>	<b>93,694</b>

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

\* This adjustment relates to a VAT refund received from HMRC on construction costs for the Aberdare Campus.

**13. Trade and other Receivables**

	2021/22 £'000	2020/21 £'000
Trade receivables	223	114
Prepayments and accrued income	1,472	1,615
	<b>1,695</b>	<b>1,729</b>

**14. Investments**

	2021/22 £'000	2020/21 £'000
Investments	4,000	-

**15. Creditors - Amounts Falling Due Within One Year**

	2021/22 £'000	2020/21 £'000
Loans – WG	219	215
Non-WG	263	262
Trade payables	1,578	1,143
Other taxation and social security	615	578
Accruals and deferred income - WG	2,072	1,867
Non-WG *	4,797	4,101
Deferred income – capital grants - WG	2,020	1,775
Non-WG	268	279
	<b>11,832</b>	<b>10,220</b>

\* Accruals and deferred income (non-WG) include an amount of £1,338k (2021: £1,081k) in respect of accrued holiday pay.

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

	2021/22 £'000	2020/21 £'000
Loans - WG	3,111	3,317
Non-WG	1,242	1,502
Deferred income – capital grants – WG	44,841	40,599
Non-WG	8,453	8,721
	<b>57,647</b>	<b>54,139</b>

**17. Maturity of Debt****Loans**

Loans are repayable as follows:

	2021/22 £'000	2020/21 £'000
In one year or less	482	477
Between one and two years	472	465
Between two and five years	1,375	1,432
In five years or more	2,506	2,922
	<b>4,835</b>	<b>5,296</b>

**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.

The Salix Finance Ltd loan is interest-free and repayable by half-yearly instalments falling due between 1 October 2017 and 1 April 2025 totalling £22k and is 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 £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**

	<b>Defined benefit pension obligations</b>	<b>Enhanced Pensions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2021	33,228	1,358	34,586
Utilised in Year	-	(105)	(105)
Adj Re: Pension	2	-	2
Reduction in provision in year	(21,250)	(144)	(21,394)
<b>At 31 July 2022</b>	<b>11,980</b>	<b>1,109</b>	<b>13,089</b>

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**

	<b>At 1 August 2021</b>	<b>Cash flows</b>	<b>Other non- cash changes</b>	<b>At 31 July 2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cash and cash equivalents</b>				
Cash	7,574	1,769	-	9,343
Cash equivalents	6,432	(332)	-	6,100
Investments	-	4,000	-	4,000
	<b>14,006</b>	<b>5,437</b>	<b>-</b>	<b>19,443</b>
<b>Borrowings</b>				
Debt due within one year	(477)	461	(466)	(482)
Debt due after one year	(4,819)	-	466	(4,353)
	<b>(5,296)</b>	<b>461</b>	<b>-</b>	<b>(4,835)</b>
<b>Total</b>	<b>8,710</b>	<b>5,898</b>	<b>-</b>	<b>14,608</b>

Cash equivalents include £6.1m (2021: £6m) deposited in instant access and 35-day notice accounts.

## Notes to the Financial Statements (continued)

**20. Capital and other Commitments**

	<b>2021/22</b> <b>£'000</b>	<b>2020/21</b> <b>£'000</b>
Commitments contracted for at 31 July	6,488	1,389
Authorised but not contracted at 31 July	100	6,146

Capital and other commitments contracted for at 31 July 2022 relate to Band B works £2,140k, the Sports Centre of Excellence build £4,267k and outstanding orders at year-end £81k.

Authorised commitments not contracted for consist of £100k for the Sports Centre of Excellence build at Nantgarw.

**21. Lease obligations**

At 31 July 2022 and 2021 the College had minimum lease payments under non-cancellable operating leases as follows:

	<b>2021/22</b> <b>£'000</b>	<b>2020/21</b> <b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	32	32
Later than one year and not later than five years	129	129
Later than five years	105	137
	<b>266</b>	<b>298</b>
<b>Other</b>		
Not later than one year	11	19
Later than one year and not later than five years	18	25
Later than five years	-	-
	<b>29</b>	<b>44</b>

**22. Contingencies**

There are no contingent assets or liabilities at the end of the reporting period (2020/21: 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)

	2021/22 £'000	2020/21 £'000
Teachers' Pension Scheme: contributions	3,244	3,130
Local Government Pension Scheme:		
Contributions paid	1,802	1,694
FRS 102 (28) charge	3,300	3,070
Charge to the Statement of Comprehensive Income	8,346	7,894
Enhanced pension (credit) / charge to Statement of Comprehensive Income	(144)	(43)
<b>Total pension cost for year within staff costs</b>	<b>8,202</b>	<b>7,851</b>

There were no outstanding or prepaid contributions at the beginning or the end of the financial year relating to the Local Government Pension Scheme, but there were £396k of contributions outstanding at the beginning of the year and £380k of contributions outstanding at the end of the financial year regarding the Teachers' Pension Scheme.

**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 £3,244k (2021: £3,130k).

**Notes to the Financial Statements (continued)****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 2022 were £5,692k (2021: £5,329k), of which employer's contributions totalled £5,102k (2021: £4,764k) and employees' contributions totalled £590k (2021: £565k). 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.

**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).

**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.

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

**General Comments regarding the Accounting Period****Asset Returns**

Asset returns over the accounting period have been lower than expected. This has led to a loss on assets over the accounting period and a worsening in the balance sheet position.

**Financial Assumptions**

There has been a change to the financial assumptions over the period. The discount rate has increased by 1.7%. This has resulted in a more positive balance sheet position than if the financial assumptions at the start of the period had been used. The impact of this change is recognised in Other Comprehensive Income.

**Demographic Assumptions**

There has been a change to the post-retirement mortality assumptions at this accounting date to allow for the effect of Covid-19 on the future development of mortality rates. This has had a positive effect on the balance sheet position equivalent to around 1% of the defined benefit obligation.

**Comments Specific to Coleg y Cymoedd****Allowance for Expected Pension Increase in April 2023**

A gain (or loss) is recognised in the Defined Benefit Obligation (DBO) when actual pension increases are lower (or higher) than those assumed. The policy to date has been to recognise the pension increase order laid during the relevant accounting period. The last pension increase order was 3.1% in April 2022, and this has been allowed for in these figures. However, due to current levels of high inflation we have been instructed to also make an allowance in the DBO for the expected impact of CPI inflation on the pension increase order for April 2023. This is a change in accounting policy from previous years. It is expected that the April 2023 pension increase order will reflect CPI inflation for the year ending 30 September 2022.

Therefore as a proxy for the pension increase in April 2023 we have used (as instructed) the CPI inflation as at August 2022 of 9.9%. This is recognised in Other Comprehensive Income.

**Key assumptions**

The following information is based upon a full actuarial valuation of the fund on 31 March 2019 updated to 31 July 2022 by a qualified independent actuary.

	31 July 2022	31 July 2021	31 July 2020
Discount rate	3.4%	1.7%	1.4%
CPI inflation	2.6%	2.6%	2.3%
Pension increases	2.6%	2.6%	2.3%
Pension accounts revaluation rate	2.6%	2.6%	2.3%
Salary increases	3.85%	3.85%	3.55%



## Notes to the Financial Statements (continued)

## 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 actuarial valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below. At this accounting date the assumed rates of future mortality have been increased to reflect a slightly more negative outlook as a result of the Covid-19 pandemic.

	31 July 2022 No.	31 July 2021 No.
<b>Males</b>		
Pensioner Member aged 65 at accounting date	21.6	21.8
Active Member aged 45 at accounting date	22.6	22.8
<b>Female</b>		
Pensioner Member aged 65 at accounting date	23.9	24.1
Active Member aged 45 at accounting date	25.4	25.6

## Asset allocation

	Value at 31 July 2022		Value at 31 July 2021	
	%	£'000	%	£'000
Equities	67.5%	45,570	69.8	51,560
Property	7.3%	4,930	6.2	4,580
Government bonds	11.6%	7,830	11.9	8,790
Corporate bonds	12.7%	8,570	11.9	8,790
Cash	0.6%	400	0.2	150
Other	0.3%	200	-	-
<b>Total</b>	100.0	67,500	100.0	73,870

## Reconciliation of funded status to balance sheet

	Value as at 31 July 2022 £'000	Value as at 31 July 2021 £'000
Fair value of assets	67,500	73,870
Present value of funded defined benefit obligation	(79,480)	(107,100)
<b>Liability recognised on the balance sheet</b>	<b>(11,980)</b>	<b>(33,230)</b>

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%

## Notes to the Financial Statements (continued)

**Amounts recognised in income statement**

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
<b>Operating cost</b>		
Current service cost	5,110	4,740
Past service cost	40	-
	<b>5,150</b>	<b>4,740</b>
<b>Financing cost</b>		
Interest on net defined benefit liability	550	620
	<b>5,700</b>	<b>5,360</b>
<b>Pension expense recognised in income statement</b>		
Allowance for administration expenses included in Current Service Cost	50	40

**Amounts recognised in other comprehensive income**

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Asset (losses) / gains arising during the year	(8,580)	14,040
Liability gains arising during the year	33,680	1,320
<b>Total amount recognised in other comprehensive income</b>	<b>25,100</b>	<b>15,360</b>

**Changes to the present value of the defined benefit obligation**

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
<b>Opening defined benefit obligation</b>	107,100	103,020
Current service cost	5,110	4,740
Interest expense on defined benefit obligation	1,810	1,440
Contributions by participants	610	570
Actuarial gains losses on liabilities	(33,680)	(1,320)
Net benefits paid out	(1,510)	(1,350)
Past service cost	40	-
<b>Closing defined benefit obligation</b>	<b>79,480</b>	<b>107,100</b>

**Changes to the fair value of assets**

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
<b>Opening fair value of assets</b>	73,870	58,120
Interest income on assets	1,260	820
Remeasurement (losses) / gains on assets	(8,580)	14,040
Contributions by the employer	1,850	1,670
Contributions by participants	610	570
Net benefits paid out	(1,510)	(1,350)
<b>Closing fair value of assets</b>	<b>67,500</b>	<b>73,870</b>

## Notes to the Financial Statements (continued)

**Actual return on assets**

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Interest income on assets	1,260	820
(Loss) / gain on assets	(8,580)	14,040
<b>Actual return on assets</b>	<b>(7,320)</b>	<b>14,860</b>

**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.

**26. Financial Contingency Fund**

	Year ended 31 July 2022 £	Year ended 31 July 2021 £
Balance brought forward	119,407	1,470
WG grant	725,044	752,580
Interest earned	198	122
	<b>844,649</b>	<b>754,172</b>
<b>Disbursed to students</b>		
Childcare	278,630	290,577
Books and equipment	76,092	12,713
Tuition, exam, and registration fees	18,343	16,316
Transport	227,396	130,403
Other (includes lunch vouchers)	202,393	159,438
<b>Total disbursed to students</b>	<b>802,854</b>	<b>609,447</b>
Administration costs	21,751	22,577
Bank charges	2,069	2,741
<b>Total disbursements</b>	<b>826,674</b>	<b>634,765</b>
<b>Balance unspent at 31 July</b>	<b>17,975</b>	<b>119,407</b>

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.