

Cardiff and Vale College
Coleg Caerdydd a'r Fro



CARDIFF AND VALE COLLEGE

CONSOLIDATED ANNUAL REPORT

AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JULY 2021

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Table of contents

| | Page |
|--|------|
| Report of the Governing Body | 1 |
| Statement of the Governing Body's responsibilities | 21 |
| Corporate governance and internal control statement | 23 |
| Independent auditors' report to the Governing Body of Cardiff and Vale College | 30 |
| Consolidated and College Statement of Comprehensive Income | 34 |
| Consolidated and College Statement of Changes in Reserves | 35 |
| Consolidated and College Balance Sheets | 36 |
| Consolidated Statement of Cash flows | 37 |
| Notes to the financial statements | 38 |

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

The Governing Body presents its annual report and the audited financial statements of Cardiff and Vale College ("the College") for the year ended 31 July 2021.

Legal status

Cardiff and Vale College is a Further Education Corporation established on 8 April 2011 under the Further and Higher Education Act 1992.

The College is an exempt charity as defined in Part 3 of the Charities Act 2011.

Purpose

To change lives through learning.

Values

- Inspirational: We are ambitious, proactive and lead by example.
- Inclusive: We are one unique team – working together for the benefit of all.
- Influential: We are a driving force for social and economic regeneration.

Strategic priorities

- Quality
- Efficiency
- Growth
- Wellbeing

Public benefit

The College is an exempt charity and is regulated by the Welsh Government as principal regulator for all Further Education Corporations in Wales. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 19 to 20. In setting and reviewing the College's strategic objectives, the Governing Body 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
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

The delivery of public benefit is set out in this report of the Governing Body.

Strategic direction

The College has established a three-year plan that sets out its purpose and strategic priorities. Under each strategic priority are a number of specific areas of focus:

- Quality
 - We will develop and invest in our people and ensure we are happy in our work;
 - We will provide outstanding learning and enrichment experiences – we will enhance skills, drive achievement and success, and power learner progression;
 - We will develop skilled and employable people, each making a positive contribution to society through their lives.
- Efficiency
 - We will continue to be financially robust, resourceful and solutions-focused - providing value for money and resource to make new investments;
 - We will work with partners to maximise our collective impact and support a sustainable future;
 - We will create world class places to learn that are healthy and safe, champion technology, support 24/7 learning and inspire communities.
- Growth
 - We will take a pivotal role in engaging employers, developing workforces and providing a skilled talent pipeline to support economic recovery and growth;
 - We will grow our business, generate new income streams and collaborate locally and internationally to respond to opportunities aligned to our values;
 - We will increase engagement in learning, by removing barriers, expanding provision and delivering change that makes a real impact on society and our region.
- Wellbeing
 - We will support the physical and mental health and wellbeing of our staff, learners and the community we serve - inspiring and enabling all to make informed choices to look after themselves and our world;
 - We will listen and respond to the needs of our community, ensuring everyone has the opportunity to fulfil and realise their potential;
 - We will celebrate our Welsh identity, language and culture, growing opportunities to enhance our lives and our country.

The Governing Body monitors the performance of the College against this plan.

Learner numbers

In 2020/21 the College provided opportunities for 30,543 learners, including:

- 5,687 learners on full-time courses;
- 466 learners on higher education courses;
- 50 Junior Apprentices;
- 157 school pupils aged 14-19 on part-time learning pathways;
- 14,544 on apprenticeship and traineeship programmes;
- 7,389 adults studying on a part-time basis;
- 2,250 learners studying through franchise arrangements in the community.

2020/21 – the College's performance

The year presented many challenges to the College, its learners and its staff, due to ongoing restrictions and disruption caused by the COVID-19 pandemic. However, despite the circumstances, learners continued to achieve positive outcomes, with most learners able to successfully complete their qualifications as planned and progress to the next stage of their learning or careers.

On-campus learning continued to be subject to restrictions throughout the year, although some of these were relaxed gradually as the year progressed, in line with changes to Welsh Government guidance. Learner engagement remained high, with staff committed to ensuring learners achieved their qualifications. However, the year was undoubtedly challenging, especially for those learners studying practical subjects and on apprenticeship programmes.

Restrictions in force for much of the year also limited the extent to which the College could deliver its full range of activities: examples of areas affected include restrictions on work placements, sport academies, opportunities for international learners, face-to-face training courses, employment opportunities for learners in College retail outlets, and hosting of community events.

During the year the College continued to provide increased support – such as digital resources, additional learning and pastoral support - to those learners who, due to the nature of their chosen course or their individual circumstances, found the situation more challenging.

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

- As well as supporting 2020/21 learners, the College continued to support learners on further education (FE) and work-based learning (WBL) programmes who had been unable to achieve their qualifications in 2019/20. This amounted to 538 FE learners and 289 WBL learners, most of whom have now successfully completed their qualifications.
- Awarding bodies introduced new assessment policies requiring either calculated grades or assessment amendments for the awarding of qualifications. Where grades were calculated, the College was required to introduce a robust assessment process to ensure grades were allocated accurately and fairly in line with three-year trends. This included an internal quality assurance process by the College's Standards Board, and a bespoke appeals process.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

2020/21 – the College's performance (continued)

- As described further below, the College and subsidiary company Associated Community Training Limited (ACT) were successful in the Welsh Government's procurement exercise for the provision of apprenticeships until 2025 (with the possibility of an extension to 2027).
- The College's strong attendance record continued in the year, with an overall annual attendance rate of over 85%;
- Learner Voice satisfaction improved in many areas over the last three years, with all KPI targets achieved, and teaching and learning satisfaction scores regularly exceeding 95%. During the year the College's learners were involved in a number of external consultations, including participation in the independent review of the 2020 exams series, and panels on topics including vaccination, racism and exploitation.
- Progression of learners from their starting points into further learning, apprenticeships or employment remained strong, with the College providing excellent employability provision, work-related education and links with employers.
- The College saw more students than ever gaining A Levels, with a record 569 learners celebrating a 96% success rate. As one of the largest providers of BTEC qualifications in the country, some 825 students studied BTECs at the College, with 30% of learners achieved distinction grades. Many students will now progress from A Levels and BTECs into higher education, including Oxbridge and Russell Group universities.
- The College successfully delivered the Personal Learning Accounts programme, a new funding stream which is focussed on delivering a wide range of industry-endorsed qualifications across priority sectors. 2,178 individuals were supported to undertake a wide range of qualifications.
- The College undertook a leading role in the *Summer of Smiles Festival*, a programme of summer activities for children in conjunction with local authorities and Schools. Sessions offered included Code & Drone, Hackathon, DJ for the Day and Ready Steady Cook.
- The College also delivered programmes through the Cardiff School Holiday Enhancement Programme (SHEP) initiative, which was set up to provide schools with high numbers of Free School Meal pupils with activities and food during the summer.

Learner achievements

Complementing academic performance, the College is delighted to report the following individual and group achievements of our learners:

- In the recent Skills Competition Wales Cycle (2020-21), the College entered 186 learners across 41 different events – its highest ever total. The College's learners won a total of 30 medals - 14 gold, 7 silver and 9 bronze.
- Vehicle Finishing, Vehicle Body Repair and Heavy Vehicle Engineering students won an impressive ten industry and skills awards: including gold medals for Luke Friston, Sion Lewis and Lewis Hastings, silver for Philip Gregory and Owen Sims, and bronze for Dafydd Jones.
- The College and ACT won a total of 34 medals at the inclusive skills contest for learners with additional learning in Inclusive Hairdressing, Inclusive Horticulture and Inclusive Motor Vehicle.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

Learner achievements (continued)

- Katie Hill, an A-Level student won a College award for her outstanding commitment to the Welsh Language, and was chosen to be a CAVC Welsh Ambassador.
- Kaiden Ashun, an electrotechnical installation apprentice, was crowned winner of the UK-wide Screwfix Trade Apprentice 2021 contest.
- Jack Grey, a Junior Journalist on an apprenticeship scheme run by the College in partnership with BBC Cymru Wales and ITV Wales, has been shortlisted for a Top Scoop Award by the National Council for the Training of Journalists.
- One of the College's first Junior Apprentices has recently started studying for a degree. Ray Weston first joined the College in 2016, and having successfully completed his Junior Apprenticeship programme and a level 3 BTEC Interactive Media course, will now progress to his next field of study – a Foundation Degree in Film, run by the College in partnership with the University of South Wales.
- Inaugural Rugby Academy Captain Ben Thomas was selected to play for Wales, and recently received his first cap. Evan Lloyd, Nathan Evans and Jake Beetham were all selected to play for Wales at U20 level.
- Oscar Griffin was part of the College's first A Level Classics cohort, and has recently progressed to study Classical Latin and Greek at Cambridge University.
- Alfie Arnold, studying First Year Foundation Degree in Film, will have his film Fire Break featured in this year's Film Ifanc festival. He produced the film for his "Truth and Telling" module during lockdown.
- Barbara Green and Damian Porucznik won Category 1 (2D Design) in the Welsh National Opera Design Challenge.

Curriculum and other developments and achievements

In supporting our learners, their communities and employers the College has launched or developed a number of initiatives in the year including:

- Improvements in recruitment, enrolment and admissions processes, including early enrolment, a weekly 'soft induction' from July 2021, and enhancements to the College app for learners;
- National Careers Week - over a two-week period the College hosted 79 virtual events attended by 639 attendees and 65 external speakers;
- The Regional ESOL Assessment Central Hub (REACH) has continued to meet the growing needs for ESOL education in the region, and to support refugees across key asylum dispersal areas in Wales through our delivery of the Welsh Government ReStart: Refugee Integration project, working in partnership with Adult Learning Wales, Coleg Cambria, Coleg Gwent, Newport City Council and Gower College Swansea.
- The College received the Employer Recognition Scheme Gold Award for outstanding support towards the Armed Forces community.
- Following the successful launch in 2020 of 'Edfest', a fully online continuing professional development festival for staff, this was complemented in 2021 by the inaugural 'Leadfest'.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

Curriculum and other developments and achievements (continued)

- The College led a Centre of Industrial Excellence project with a focus on advanced manufacturing, compound semiconductors, cyber-security and green technology, and was a partner on a project to support the use of virtual and augmented reality in teaching and learning.
- The College further developed its active wellbeing activities – including the recruitment of an Active Wellbeing team, development of an active wellbeing self-assessment tool, and development of its programme of wellbeing activities for staff and learners.

The College group once again received a number of awards and commendations in the year, including:

- Winner of the TES Award for Support for Learners, and shortlisted for the College of the Year and Teaching and Learning Initiative awards;
- Highly commended by Beacon for our work with TEL and our inclusive Leadership;
- FE College of the Year with the National Centre for Diversity and number 2 in the Top 100 most inclusive workplaces. The Colleges also retained its Leaders in Diversity status.
- The College retained its Microsoft Showcase College status, and remains the only college in Wales with this accreditation;
- The College and ACT received improved IIP accreditations of Gold and Platinum respectively;
- ACT and CF10 Retail Limited were both included in the 2021 Sunday Times 100 Best Companies;
- The College and ACT were cited in the Estyn thematic review on Wellbeing for their support for learners, while the College's English for Speakers of Other Languages (ESOL) provision was featured in the Blended Learning publication.
- Successfully retaining its Matrix accreditation;
- Winner of 5 National Training Federation for Wales (NTfW) awards.

Partnerships

The College is committed to supporting employers and communities across Cardiff and the Vale:

- The College has developed strong partnerships with local employers, and most learners undertake work experience and or work-related education. A number of organisations including Wales Millennium Centre, Cardiff and Vale University Health Board, Cardiff Council, Vale of Glamorgan Council, BBC, Principality, Aston Martin, Deloitte, Admiral and Lloyds deliver workshops or offer internships for learners to improve their skills and gain experienced tailored to their career aspirations;
- The College works closely with local authorities and the Education Achievement Service, sharing professional development activities for teaching and hosting the Seren Project, a specific scheme for more able and talented learners;

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

Partnerships (continued)

- The College has also developed further effective partnerships with the Welsh Rugby Union, Welsh Rugby Players Association, Cardiff City Football Club, Cardiff Rugby and the Military Preparation Training College, to offer different opportunities for stimulating learning in our community.
- The College has long standing partnerships with third-sector organisations such as Vision 21, the Ministry of Life, and the Media Academy Cardiff;
- The College's sector-specific Employer Advisory Boards strengthen relationships with employers, ensuring local skills and economic growth needs are met;
- Learners work extensively with the BBC and other major media and creative organisations such as Welsh National Opera Design Challenge, Make Art not War with the Imperial War Museum, the New Theatre, live music events in the city, and the 'BBC Introduces' music programme.

Principal risks, opportunities and uncertainties

As part of the strategic planning process the Executive Team undertakes a review of the risks that might impact on the achievement of the College's strategic objectives. In addition, each Dean and Director develops a risk register for their own faculty or directorate.

These reviews consider the systems and procedures that already exist to mitigate any potential impact on the College of the identified risks, and define any additional actions that might be required to further reduce the likelihood or impact of the identified risks.

A risk register is developed that records the key strategic risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks.

The Operational Executive Team considers risk management issues as part of each meeting and undertakes a formal review of the risk register every term that is reported to the Audit Committee.

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

COVID-19

The risks faced by the College in relation to the 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 of the CAVC group business.

In formulating its approach to the above risks, the College and its subsidiaries 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 schemes of work, which were consulted on with recognised trade unions and made available for staff to review on the staff intranet. In addition, user-friendly guides for staff and students were produced.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

Principal risks, opportunities and uncertainties (continued)

COVID-19

The Executive Team is mindful of the increased risk faced by some individuals (e.g. those who were previously shielding or have other increased risk factors such as ethnicity or health conditions) and have put in place additional specific procedures to ensure that the risk to these individuals (whether staff or learner) is mitigated as far as reasonably possible.

In most cases, completion of learner qualifications was achieved through the use of centre-determined grades, on-site practical assessments (undertaken in line with risk assessments and safe systems of work) and adaptations to assessment methods agreed with awarding bodies. However, due to COVID-19 restrictions limiting access to work placement opportunities, a small number of learners could not complete their health and care qualification in the year. These learners are currently undertaking the required placements and on track to achieve their qualification.

Cash flow remained healthy throughout the year despite the pandemic; the impact of government support and cost savings arising from restrictions on College activities offsetting any reductions in income. The College and ACT were also able to access UK Government's Coronavirus Job Retention Scheme (CJRS) funding for furloughed staff. In accordance with Welsh Government stipulations, CJRS funding was not claimed for any employees whose posts are substantively funded by Welsh Government funding that continued to be received during the period.

The scale of financial risk in 2021/22 remains subject to uncertainty linked to the ongoing impact of the pandemic, the potential for further restrictions and the likelihood of reduced availability of government support funding (including the end of the CJRS in September 2021) compared to 2020/21. Although core FE funding allocations have not been affected by the pandemic, many other income streams continue to be hard hit, and although now showing signs of recovery, many remain substantially below pre-pandemic levels.

The pandemic has disrupted learners' progress over the past 18 months, with many new students joining the College with significant gaps in their knowledge and skills, despite attaining the required entry qualifications. This has resulted in a higher than normal number of learners lacking the skills they need to progress successfully in their chosen field of learning, many of whom will therefore benefit from additional catch-up and support activity.

The College has put in place a range of additional measures to mitigate this risk, including 'catch-up' teaching sessions, one-to-one support, additional tutorials, additional literacy and numeracy sessions and online support packages. Additional funding of up to £2.7million has been allocated to the College by Welsh Government in this respect. The extent to which these measures will successfully mitigate the risk will not become clear until later in the year, and will also be impacted by any further adaptations to exams, assessment and moderation activities that may be announced by awarding bodies in due course.

The Welsh Government has also allocated further support funding that can be claimed by the College during the forthcoming year to reimburse certain additional costs incurred due the pandemic. The sector remains in discussions with Welsh Government regarding support for further additional costs as needs are identified.

Future funding

The current high demand by employers for staff in areas such as construction appear likely to adversely affect demand for full-time courses in those areas, while the impact of the pandemic on hardest-hit industry sectors (for example, catering and hospitality) also appears to be impacting learner demand for courses in those areas.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

Principal risks and uncertainties (continued)

Future funding (continued)

The use of three-year averaging in the Welsh Government's core funding allocation methodology for the further education sector reduces exposure to funding fluctuations arising from short-term changes in enrolments. However, in the medium and long term, such changes to learner demand could impact the College's grant allocations in future years.

The extent to which demand for part-time enrolment will recover back to pre-pandemic levels remains uncertain and presents a further risk. The Welsh Government has indicated that it will consider providing support in the forthcoming year for Colleges' part-time activity, but with the extent and duration of this support not yet confirmed, the outlook remains challenging. It does, though, present an opportunity for the College to reach learners and employers that it has not worked with previously, including those adversely affected by the pandemic.

Enrolment in the College's higher education courses is also currently subject to increased pressure and uncertainty, in line with the increased availability of places in university full degree courses due largely to a decline in international student numbers linked to the pandemic.

Developing resilience and new sources of funding

In recent years the College has implemented a strategy of improving resilience through the acquisition of ACT group in 2016/17 and Apprenticeship Learning Solutions (ALS) in 2017/18. This strengthened the group's position as the leading provider of apprenticeships in Wales, and reduced reliance on its core FE funding grant.

The College has continued to proactively engage with new initiatives to further develop skills and opportunities for individuals, employers and communities.

It is recognised that there is a risk, when investing in new markets and opportunities, that not all such opportunities will deliver returns. To mitigate this risk and provide appropriate governance of these activities they are subject to review and monitoring by a sub-committee of the Governing Body.

Work-based learning

During the year the College and subsidiary company Associated Community Training Limited (ACT) were successful in the Welsh Government's procurement exercise for the provision of apprenticeships until 2025 (with the possibility of an extension to 2027). Subsidiary company Apprenticeship Learning Solutions Limited was unsuccessful in securing a contract, but will continue to deliver apprenticeships from August 2021 through an apprenticeship subcontract with ACT.

The group's combined apprenticeship contract funding allocation in 2021/22 is c£35m, an increase of c£6million compared to 2020/21. This presents a welcome opportunity for the group to further grow its apprenticeship provision and reach new learners and employers.

As with any new activity, this growth comes with risk, particularly in relation to the quality of delivery by subcontract partners, some of whom have joined the CAVC or ACT network for the first time in 2021/22, following the recent matching exercise of unsuccessful contract holders to successful bidders by Welsh Government. Subcontract and franchise partners are subject to a quality monitoring process that forms part of the Service Level Agreement with the delivery partner.

ACT has been successful in the Welsh Government procurement exercise for Jobs Growth Wales+, which will replace the existing traineeship programme from April 2022. ACT was successful in all four lots (North Wales, South West and Mid Wales, South Central Wales and South East Wales).

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

Principal risks and uncertainties (continued)

Brexit

The long-term impact of Brexit continues to give rise to uncertainty – this could directly affect the College with the removal of ESF funding that currently contributes 25% of the Welsh Government's Work-based Learning budget, and also supports a number of other activities delivered by the College.

In 2020 the Welsh Government launched a consultation for its post-Brexit funding arrangements – “A Framework for Regional Investment in Wales”, and CAVC submitted a response to this. The College also monitors developments with the Shared Prosperity Fund (positioned as a successor to European funding) and State Aid (now referred to as Subsidy Control).

The group's resources

The Group has various resources that it can deploy in pursuit of its strategic objectives.

The estate

The estate continues to evolve as a result of the implementation of the Estate Strategy; main developments in the year are outlined further below. The net book value of the freehold land and buildings at 31 July 2021 was £68.1million (2020: £74.9million).

Financial

At 31 July 2021, the Group had net assets excluding pension liabilities of £37.1million (2020: £36.2million).

When the pension liability of £39.4million (2020: £41.9million) is included, the Group had net liabilities of £2.2million (2020: £5.7million)

Reserves

At 31 July 2021, the College had “cash-backed reserves” (as identified by the Welsh Government) of £9.7million (2020: £5.9million) that are available for use by the College. Cash-backed reserves differ from total reserves insofar as they exclude non-cash items (such as revaluation of fixed assets and pension liabilities) and reserves previously used for historic capital development projects. The College's total cash-backed reserves of £9.7million comprise a restricted reserve of £1.5million (2020: £1.5million); a further £2.5million set aside to fund the non-Welsh Government-funded costs of the College's Vale campus development (2020: £nil), and £5.7million (2020: £4.4million) to provide a financial reserve in line with Welsh Government guidance for the financial health of Colleges.

The Governing Body is satisfied that the current level of cash-backed reserves is appropriate, taking into consideration the following:

- The Welsh Government's financial health guidance for the FE sector recommends that Colleges hold a cash reserve equivalent to approximately one month's expenditure to provide financial resilience.
- Although most of the cost of the two planned new College campuses in the Vale of Glamorgan will be funded through the Welsh Government's Mutual Investment Model, an increased cash reserve is required to fund certain costs that the College will need to fund itself over the next few years. These costs are expected to amount to approximately £4million, and include the purchase of land, the College's 35% share of the cost of fixtures, fittings and equipment, and various professional fees and contingencies.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

The group's resources (continued)

Reserves (continued)

- The restricted reserve of £1.5million described above relates to the merger of the Vale of Glamorgan Training Association (VGTA) with Barry College in 2010. A condition of the merger was that the assets of the VGTA, including the reserves transferred to the College, must be used exclusively for the charitable objective of the VGTA – to advance the vocational preparation and training and the education of young people and adults.

People

During the year the Group employed an average of 1,170 staff (2020: 1,163) (expressed as full time equivalents).

Reputation

The College, ACT and ALS have excellent reputations locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and developing external relationships.

Financial strategy

The Governing Body approved the financial strategy in June 2021 that set out the College's financial objectives to generate operational surpluses and net increases in cash to finance:

- on-going activity;
- new investment;
- asset replacement;
- the estate strategy; and
- to provide or maintain a financial reserve.

The Governing Body is content that the philosophy of the strategy and the underlying objectives outlined above remain appropriate in the medium and long term.

However, it is acknowledged that the uncertainty relating to the COVID-19 pandemic means that the College faces risks, challenges and uncertainties that will limit the extent to which it can in the short term meet all normal financial strategy targets.

Financial results

In the context of a challenging year, the College is pleased to report an increase in group turnover to £109.7million (2020: £97.6million). EBITDA has also increased to £14.5million (2020: £11.1million). The Statement of Comprehensive Income shows an overall deficit for the year of £3.1million (2020: surplus of £1.6million), which includes the impact of a number of non-cash fixed asset impairment losses in the year, as outlined in notes 11 and 12 to the accounts.

To properly understand the financial results for the year there are three key elements to note:

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

Financial results (continued)

Business as usual

As described above, the College's core grant funding received in the year from Welsh Government for full- and part-time provision was not affected by the pandemic. Furthermore, under the current funding methodology the College is funded for growth in full-time learner numbers, taking into account expected regional demographic changes, and thus addressing the Wales Audit Office's recommendation that funding be more closely linked with demand for further education in each area. This means that the College's full-time learners are "fully funded", whereas in past years the College had to subsidise its policy of "not turning any learner away". This provided the College with a solid foundation for its activities in the year, despite the underlying challenges of the pandemic.

Operating costs in the year were below normal levels due to restrictions on activities linked to the pandemic and savings in overheads due to reduced on-campus activity and increased home working.

Welsh Government support

During the year the Welsh Government provided financial support to colleges and apprenticeship providers linked to additional financial pressures arising from the pandemic. Support received related to a wide range of activities, including:

- funding for additional costs incurred as a result of the pandemic (eg enhanced cleaning arrangements, face coverings and additional costs arising from physical distancing rules and other arrangements linked to local risk assessments);
- funding to enable continuity of core support services for students (eg catering and nurseries) despite restrictions on on-site activity;
- funding for additional costs incurred in delivering work-based learning activity due to delay and disruption to programmes caused by the pandemic;
- funding to support completion of learning programmes disrupted in the prior year and additional learning and pastoral activities to support current year students to successfully complete their programmes.

Commercial and non-government funded income streams

As referred to above, the College has invested significantly in diversifying its income streams to provide resilience and reduce reliance on Government funding, these include our retail, catering, nursery, facilities hire and events, commercial courses and international activities. Many of these activities continued to be severely affected by the pandemic during the year due to ongoing restrictions affecting areas such as face-to-face training delivery, hospitality and international activities. Whilst we were able to utilise the UK Government's CJRS funding to avoid redundancies and claimed some £1.1million in this regard, the nature of the scheme meant that funded £665k to "top up" staff salaries to their normal pay levels whilst income from many activities remained suppressed throughout the year.

Subsidiary companies ACT and ALS continued to perform well although both experienced similar challenges during the year. In particular ACT, where funding for one significant grant was suspended for much of the year and the company had to utilise the CJRS scheme to support the salaries of staff. These companies make gift aid payments to the College rather than the previous dividend payments to private shareholders, ensuring those funds can be invested in the Group's education and training activities.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

Impact on the group's results of pension costs

The Group'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 2020/21 accounting valuation shows a pension deficit for the College of £39.4m at 31 July 2021, compared to £41.9million at 31 July 2020. As was the case in the prior year, the size of the accounting deficit is due mainly to reduced yields on corporate bonds (upon which the discount rate is determined) and volatile investment returns linked to the pandemic.

The reported balance sheet liability is consistent with the experiences of many other participants in the LGPS. The College's lender is aware of this and has removed the net asset covenant test from the College's loan facility agreements as the impact of the pandemic on the size of the pension deficit renders that covenant meaningless. The Welsh Government has also indicated that the situation will be taken into account in their financial health assessment of the FE sector.

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.

Accordingly, notwithstanding that the accounting treatment has resulted in the balance sheet showing net liabilities, the Governors are content this has no impact on the College's financial strength and does not affect the College's ability to operate as a going concern.

Treasury management

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 treasury management policy set out in its financial regulations. Regular reports are made to the Finance and General Purposes Committee, and all borrowing requires the approval of the Governing Body.

The College's financial strategy provides a framework for the ongoing management of the College's ability to meet the repayments over the term of the loans and the interest rates on these loans have been fixed.

The College's loan agreements with Santander sets out a number of financial covenants including debt service and interest cost ratios to EBITDA and net assets levels, which are reported to and monitored by the Finance and General Purposes Committee. As described above, Santander has waived the net asset covenant due to the volatility relating to the LGPS; all remaining covenant tests have been met with significant headroom.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

Cash flows and liquidity

The Group's cash balance at 31 July 2020 was £19.3million (2020: £9.3million). The increase compared to the prior year was mainly due to increased cash generation from operating activities, but also included a number of short-term favourable timing differences which will unwind in the forthcoming year. The year-end balance also includes some Welsh Government support funding allocation received prior to the year-end that relates to expenditure incurred after the year-end to support learner transition and completion of learning programmes. Any funding not fully utilised will be repaid to Welsh Government in due course and in accordance with the Welsh Government procedures in this regard.

During the year, the College paid £2.7million of contingent consideration in relation to the acquisition of ACT and ALS, based on performance targets set at the time of acquisition. These additional payments were fully funded from profits generated by ACT and ALS.

The reported net current assets of £3.9million (2020: £0.3million) includes a number of accounting liabilities which are not expected to be settled in the forthcoming year, and also include contingent consideration, which will be settled in line with available cash flows generated by ACT and ALS and paid to the College as gift aid.

Capital developments

The College's ambitious estate strategy, that required an investment of some £98million in the ten-year period from 2011 to 2021, is approaching completion, with the following key developments taking place during the year:

- In collaboration with Cardiff Council, the College:
 - Progressed discussions in respect of the development and relocation of the new Fitzalan High School to the CISC Leckwith site. Work relating to the transfer of the College's facilities commenced during the year and was completed subsequent to the year-end in September 2021. The changes will result in some improvements to facilities compared to existing arrangements;
 - Continued discussions relating to Cardiff Construction Training Centre (CCTC), following the agreement of heads of terms for a 35-year lease extension in March 2020.
- The College continued to progress plans to replace the ageing accommodation in the Vale of Glamorgan as part of the Welsh Government's 21st Century Schools and Colleges Band B Mutual Investment Model (MIM) programme. We are working with the Welsh Government and partners to deliver two new campuses – a general further education campus at Barry Waterfront Southern IQ site, and an advanced technology centre on a site close to the current ICAT site and Cardiff Airport; both campuses are currently expected to open in 2025. The Governing Body has established a steering group to ensure the correct governance, support and oversight of the College's commitment to the MIM funding model and the continued strategic development of the two campuses.
- The £2.9m Canal Park project to develop and procure a 3G playing surface (the first fully recyclable surface in the country), an Air Dome with two Multi-use Games Areas (MUGA), two changing rooms and stands on Canal Park and the grassed area behind the city centre campus - funded in part by the Welsh Government's Community Hub grant and with a £0.5million investment by the College - was completed shortly after the year-end. The facilities will be used by the College for curriculum activity, student enrichment and the College's sport academies, by the local Butetown community including local sports teams, primary schools and for family learning activities, and by the wider community.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

Capital developments (continued)

- The College progressed negotiations during the year with a number of prospective tenants for its One Canal Parade building. Tenancies are expected to commence in late 2021.
- The College entered into lease arrangements in respect of Units 5 and 6 in the Dumballs Road Industrial Estate in the year. Work is currently underway to alter, adapt and upgrade this accommodation to be used for training relating to 'green technologies'.
- The College progressed discussions relating to the College's potential participation as founder member of the Cardiff Heat Network, a project led by Cardiff Council to transport heat from an energy recovery facility to businesses and homes in Cardiff.

Other future developments

Alongside the ambitious capital developments described above, the College is working on a range of priorities both internally and externally that will shape the future direction of the College, its range of services for learners, employers and communities and its relationships with partners and stakeholders including:

- increased emphasis on the wellbeing of staff and students, following the Governing Body's decision during the year to add Wellbeing as a new strategic priority. During the year the Governing Body established a new Health & Wellbeing Committee, with a membership comprising Governors, Executive Team members, student representatives and managers. The Committee, which met for the first time in June 2021, will provide oversight of the key developments relating to health and wellbeing across the College for staff and students.
- the further development of a comprehensive work-based learning offering, enhancing the opportunities offered to learners, employers and communities, building on the acquisition of ACT and ALS and, more recently, the successful outcomes of the Welsh Government procurement exercises for the delivery of apprenticeships and employability programmes.
- the expansion of our business development activities to meet the needs of employers and, where appropriate, utilise our expertise in conjunction with appropriate partners to provide commercial services overseas or attract international learners and businesses to the capital region;
- further integration of technology into the College's teaching, learning and other activities, in the context of 'Digital 2030', the Welsh Government's strategic framework for post-16 digital learning in Wales;
- continued focus on positive learner outcomes and the core priorities of Quality, Efficiency, Growth and Wellbeing.

Payment performance

Creditor payment days, based on creditors at 31 July 2021, was 25 days (2020 – 33 days). During the current financial year, no interest charges were paid under The Late Payment of Commercial Debts (Interest) Act.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

Welsh language and Welsh medium/bilingual provision

Cardiff and Vale College/ Coleg Caerdydd a'r Fro is proud to be Welsh. It believes that everyone has the right to communicate, receive services and learn through the medium of Welsh and is committed to providing that opportunity for its learners, employees and visitors. CAVC has a positive and robust approach to meeting its Welsh Language Standards requirements to ensure a positive bilingual service for all learners and the ability for all stakeholders to interact with the College in the language of their choice.

As the largest College in Wales CAVC aims to be sector leading in the provision of Welsh-medium and bilingual education and training. Its ambitious vision to grow high quality Welsh medium provision is increasing the number of learners undertaking a Welsh or bilingual module as part of their course; provides a bilingual learner journey and comprehensive offer of support; provides more opportunities for learners to develop their skills and increase their employability and sees more partnership working to grow opportunities for learners.

CAVC is proactive in undertaking activities and investing in opportunities that raise the profile of Welsh across all stakeholders in the region and provides a dedicated offer to support businesses in the development of their Welsh Language skills in a bid to increase the number of skilled, employable and bilingual people across the Capital Region and beyond.

Equality and Diversity

As an employer and a provider of education and training, Cardiff and Vale College will implement policies and procedures that meet the needs of our communities by promoting inclusion and addressing inequalities.

The College strives to challenge the patterns of discrimination and disadvantage that exist in society which have resulted in some groups being treated less favourably than others. The College has a responsibility to provide opportunities to individuals to achieve their potential in a safe and secure environment that is free of discrimination.

The College is committed to promoting equality of opportunity regardless of gender, age, disability, race, religion and belief, sexual orientation, gender reassignment, pregnancy and maternity and marriage/civil partnership and any other characteristic that is irrelevant to the person's learning or employment with us. All managers, staff, learners, contractors, visitors and others involved or engaged with the College have the responsibility to behave in a manner that respects and supports the ethos of our inclusive College and our commitment to fair opportunities for learning and employment. The College's Equality and Diversity Policy is published on the College's Intranet site and its Strategic Equality Action Plan on its external website.

The College has been awarded the prestigious Leaders in Diversity status for its commitment to equality, diversity and inclusion. The College was awarded the status after the National Centre for Diversity worked closely with staff and students. It places CAVC as one of the best institutions in the country for encouraging an all-encompassing culture of equality, diversity and inclusion.

The College is a member of the Black FE Leadership Group, and, through the group's ten-point plan, is focussed on challenging racism, increasing attainment in skills and training outcomes amongst learners from ethnic minorities, and increasing ethnically diverse leadership and governance roles in FE.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

Access

A great deal of work has been undertaken across the College to ensure it is accessible for those with disabilities and impairments to meet the College's duty under the Equality Act as far as reasonably practical. This has included the provision of tactile surfaces, visual panels, alterations to toilet cubicle doors, Disability Discrimination Act compliant signage, accessible toilet alarms, increasing the number of hoists, networked fire door retainers, refuge intercom, nosings added to internal steps/stairs and lifts.

The improvements are those that have been considered to be classed as 'reasonable adjustments' with the intention of ensuring that all parts of the College are accessible as far as reasonably practical. However, where this has not been possible, issues have been identified and managed by adjusting College activities to ensure that this does not impact on any student, staff member or visitor.

The College has worked to prepare for the Additional Learning Needs and Educational Tribunal (Wales) Act ensuring all learners are able to access the learning itself. The College has implemented training to support universal provision and Person-Centred Practice, as well as making significant investment in assistive technology.

As part of its agreement to the Transgender Charter, the College has also undertaken an accessibility audit of all sites, making changes where necessary to improve access for transgender people within its community.

Employment of people with disabilities

The College considers all applications from people with disabilities, bearing in mind the aptitudes of the individuals concerned and has committed to the 'Disability Confident' core actions to support its approach to the recruitment of staff. Where existing employees become disabled, every effort is made to ensure that employment with the College is continued. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. An annual equalities plan is monitored by managers and governors.

Sustainability

The College continues to be committed to the Wellbeing and Future Generations (Wales) Act 2015 and all seven goals in its business and curriculum activities. It also remains committed to the Welsh Government's Sustainability Charter and has signed up to the Responsible Business Network.

The College has an environmental policy and energy and water management plan and is currently working towards securing Green Dragon accreditation.

The College has a number of ongoing projects to improve its own "sustainability" including contributing to the Cardiff Heat network, reduction of single use plastics and a palm oil audit.

As part of the first wave of projects funded by the new Mutual Investment Model, the Welsh Government is aiming to deliver the College's two new vale campuses in line with net zero carbon targets.

Oversight of the College's work on sustainability is included within the remit of the new Governing Body Health and Wellbeing Committee described above.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

Governance

The College's current Articles, Instruments, Governing Body and sub-committee structure were introduced in 2015 following a comprehensive review of its Governance arrangements in light of the publication of the Further and Higher Education (Governance and Information) (Wales) Act 2014.

This review incorporated the new legislation, consideration of models of best practice in the sector, the previous recommendations of the Humphreys review of Governance and the needs of the College going forward.

Staff pay and remuneration

The Governing Body recognises that the success of the College is based on the hard work and contribution of its staff and that it is essential that they are rewarded fairly and reasonably, within the confines of relevant national agreements and legislation and subject to affordability. The Governing Body also recognises the importance of transparency and equality in decisions regarding pay and remuneration and complies with requirements to publish information on such matters which are included either in these financial statements or in separate reports available on the College website.

The following arrangements are in place regarding staff pay and remuneration:

- As part of the National Agreements in place between Colleges Wales as the employer representative and the Joint Trade Unions all staff directly employed by the College are:
 - employed on 'common contracts' agreed with the Joint Trade Unions under which staff are entitled to pension and holiday arrangements that represent a substantial part of their total remuneration;
 - paid, as a minimum, in line with Living Wage Foundation guidelines;
 - receive annual pay awards arising from national Welsh FE sector negotiations with the Joint Trade Unions; and
 - in respect of teaching staff, are paid on a common pay scale with nationally agreed procedures for incremental increases up that pay scale.
- In respect of business support staff, in the absence of a national pay scale or grading system, the College some years ago implemented in consultation and agreement with local trade union representatives a job evaluation process.
- Any new roles that are established that fit outside of the business support job evaluation process are assessed by reference to current local pay rates (taking into consideration the value of the pension and holiday entitlement) and where appropriate relevant salary benchmarking services.
- The Governing Body has established a Remuneration Committee to consider the remuneration of senior post holders including the Clerk to the Corporation. The membership of this Committee is set out on page 19 and includes an independent, external non-Governor. In respect of the operation of this committee:
 - There are currently only four designated senior post holders (including the Clerk to the Corporation);
 - In addition to the independent external member, the Committee receives advice from the College's HR function; The Committee's decisions are informed by appropriate independent salary benchmarking services; and
 - None of the senior post holders (including the Clerk to the Corporation) are involved in the discussions of their remuneration.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

Members of Cardiff and Vale College Further Education Corporation

The members who, unless otherwise stated, served the Cardiff and Vale College Further Education Corporation for the period from 1 August 2020 to the date of signing of the financial statements are shown below.

During the year the College's Governing Body, staff and learners paid tribute to Bart Haines, former Vice Chair of Governors, who sadly passed away on 14 January 2021. Bart had been a Governor of Barry College, and subsequently Cardiff and Vale College, for over 20 years, a voluntary role to which he selflessly gave his time, expertise and energy.

| Member | Appointment status | Date of appointment (A) / resignation (R) | Committees served |
|---|------------------------------------|---|---|
| Mr G Evans Chair of Corporation | Governor | | Chair of - R, SG, FGP, V |
| Mr B Haines (Vice Chair of Corporation August 2020 – January 2021) | Governor | R - Feb 21 | R, SG, FGP, V |
| Prof D Saunders (Appointed Vice Chair of Corporation March 21) | Governor | | CQSA (Chair), R, SG |
| Mr A Abdi | Governor | | CQSA, HW |
| Mr D Austin | Governor | | FGP (Chair), V |
| Dr F Cowe | Governor | | CQSA |
| Dr M Davies | Governor | | A (Chair) |
| Ms R Davies | Business Support Staff Governor | | FGP, CQSA, HW |
| Ms M Floris | Student Governor | R – Aug 21 | CQSA |
| Mrs M Foster | Governor | | FGP, R, V |
| Cllr B Gray | Local Authority Governor - Vale | | CQSA |
| Ms N Hodgkinson | Academic Staff Governor | | FGP, CQSA, HW |
| Mr D James | Governor | | FGP, V |
| Mr M James | Group Chief Executive | | FGP, CQSA, HW |
| Ms S Khan | Student Governor | R – Aug 21 | CQSA |
| Cllr S Merry | Local Authority Governor - Cardiff | | CQSA |
| Mr I Morris | Governor | | FGP, HW (Chair) |
| Mrs S Nawaz | Governor | | CQSA, HW |
| Mr D Reeves | Governor | | FGP, R, SG |
| Mr J Taylor | Governor | | FGP to Sept 2020, A from Sept 2020, HW |
| Mr R Thomas | Governor | | FGP, V |
| Ms S Vanderkolk-Pellow | Student Governor | A – Sep 21 | CQSA, HW |
| Mr J Williams | Student Governor | A – Sep 21 | CQSA, HW |

During the period from 1 August 2020 to the date of signing of the financial statements the Governing Body had the following sub-committees:

- Finance and General Purposes (FGP, renamed from Finance, Estates, Commercial and HR in November 2021)
- Remuneration (R)
- Search and Governance (SG)
- Curriculum, Quality and Student Affairs (CQSA)
- Audit (A)
- Health and Wellbeing Committee (HW; established June 2021)
- The Vale Campus Steering Group (V)

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

REPORT OF THE GOVERNING BODY

Members of Cardiff and Vale College Further Education Corporation (continued)

In addition to the governors listed above, Mr Phil Jardine serves as the independent member of the Remuneration Committee.

In addition to the full members of the Governing Body set out above, the following individuals were co-opted members of Governing Body sub-committees:

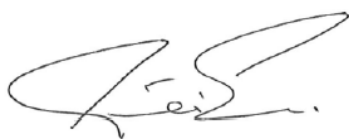
| | Committee Membership | | | |
|-----------------------------|----------------------|------|-------|----|
| | FGP | CQSA | Audit | HW |
| Ms V Compton | | | √ | |
| Mr B Davies | | √ | √ | |
| Ms L Farrow | | | √ | |
| Mrs H Ferguson | | √ | | √ |
| Mr J Harper | | √ | | √ |
| Ms R Huws Williams | | √ | √ | √ |
| Ms D Merrick (R – Feb 2021) | | | √ | |
| Miss K Patel | √ | | | |

A record of governor attendance at meetings can be found on page 26.

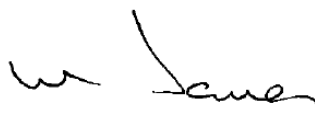
With the exception of the Group Chief Executive, governors serve on a voluntary basis and are not remunerated. Information on expenses reimbursed to members of the Corporation is contained in note 8 to the financial statements.

Disclosure of information to auditors

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



Mr G D Evans
Chair of Governing Body



Mr M James
Group Chief Executive

7 December 2021

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

STATEMENT OF THE GOVERNING BODY'S RESPONSIBILITIES

The members of the Governing Body 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 or deficit of income over expenditure for that period.

In preparing the financial statements, the Governing Body 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 Governing Body is also required to prepare a Report of the Governing Body (also known as a Members' Report), which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Governing Body 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 Governing Body is responsible for the maintenance and integrity of its websites; 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.

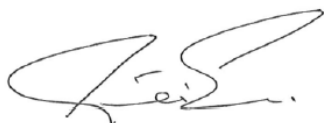
CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

STATEMENT OF THE GOVERNING BODY'S RESPONSIBILITIES

Members of the Governing Body are responsible for ensuring that expenditure and income are applied for the purposes intended by the Welsh Government and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the Welsh Government, and any other public funds, are used only in accordance with the Financial Memorandum with the Welsh Government and any other conditions that may be prescribed from time to time by the Welsh Government or any other public funder. Members must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, Members of the Governing Body 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 Welsh Government and other public bodies are not put at risk.

Approved by order of the members of the Governing Body on 7 December 2021 and signed on its behalf by:



Mr G D Evans
Chair of the Governing Body

7 December 2021

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

CORPORATE GOVERNANCE

The College is committed to exhibiting best practice in all aspects of corporate governance.

This summary describes the manner in which the Institution has applied the principles set out in the UK Corporate Governance Code 2018 (the Code) in so far as they apply to the further education sector. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Following the publication of the Further and Higher Education (Governance and Information) (Wales) Act 2014, the Governing Body undertook a comprehensive review of its Governance arrangements. This review incorporated the new legislation, consideration of models of best practice in the sector, the previous recommendations of the Humphreys review of Governance and the needs of the College going forward.

This review culminated in the appointment of new members to the Governing Body and a revised governance structure effective from 1 August 2015.

During the year the Governing Body has reviewed and considered its operation and further developments in best practice, including Colleges Wales' Guide for Governors, and, where appropriate to the needs of the College, adopted changes to support the continued development of its governance arrangements.

In the opinion of the Governors, Cardiff and Vale College complied with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2021.

The Corporation

The composition of the Cardiff and Vale College Further Education Corporation during the year ended 31 July 2021 is set out on pages 19 to 20; a record of Governor attendance at meetings is included below. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation was provided with regular and timely information on the overall financial performance of the Institution 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 conducted its business through a number of committees. Each committee had terms of reference, which had been approved by the Corporation. These committees were as follows:

- Finance and General Purposes (renamed from Finance, Estates, Commercial and HR in November 2021)
- Curriculum, Quality and Student Affairs
- Remuneration
- Search and Governance
- Audit
- Vale Campus Steering Group
- Health and Wellbeing (established June 2021)

CORPORATE GOVERNANCE (continued)

The Corporation (continued)

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

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

The Corporation had a strong and independent non-executive element and no individual or group dominated its decision making process. The Corporation considered that each of its non-executive members was independent of management and free from any business or other relationship, which could have materially interfered with the exercise of their independent judgement.

There was a clear division of responsibility in that the roles of the Chair and Group Chief Executive were separate.

Performance of the Corporation

The Corporation has undertaken an assessment of its own effectiveness as part of the group-wide annual self-assessment process.

The Corporation considers its governance arrangements during the year to have been effective. The transition from traditional boardroom meetings to an online format was successfully achieved without disruption, with Governors receiving support in this respect where required. Timely decision-making and strategic oversight was maintained, and governor meeting attendance (detailed below) remained at over 90%.

As described below, the annual report of the Internal Auditors provided "substantial assurance" in respect of Corporate Governance, and "substantial assurance" in respect of Risk Management and Internal Control.

Remuneration Committee

Throughout the year ended 31 July 2021, the Remuneration Committee comprised the members who are identified on page 19. The committee's responsibilities were to make recommendations to the Board on the remuneration and benefits of the Group Chief Executive and other senior post-holders.

Details of senior post-holders' remuneration for the year ended 31 July 2021 are set out in note 8 to the financial statements.

Appointments to the Corporation

Any new appointments to the Corporation were a matter of consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee which is comprised of the members who are identified on page 19 and were responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation was responsible for ensuring that appropriate training was provided as required.

Members of the Corporation are appointed for a term of office not exceeding three years and were given options to continue for a second term in July 2019.

CORPORATE GOVERNANCE (continued)

Audit Committee

The Audit Committee comprised two members of the Corporation and at least three co-opted members as identified on pages 19 to 20. The committee operated in accordance with written terms of reference approved by the Corporation.

The Audit Committee met five times during the year, and provided a forum for reporting by the Institution's internal and external auditors, who had access to the committee for independent discussion, without the presence of Institution management. Committee member attendance at meetings is shown below.

The College's internal auditors monitored the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management was responsible for the implementation of agreed audit recommendations and internal audit undertook periodic follow up reviews to ensure such recommendations had been implemented. The Audit Committee also advised the Corporation on the appointment of internal and external auditors and their remuneration for both audit and non-audit work.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

CORPORATE GOVERNANCE (continued)

Governor attendance at meetings

The number of meetings, including sub-committees, attended by governors and committee members who held office during the year is shown below. Where governors and committee members are unable to attend meetings, they receive papers for that meeting giving them the opportunity to raise any questions or issues with the Chair in advance of the meeting.

| | Main board | C | FGP | HW | A | V | R | SG |
|-----------------------------|------------|---|-----|----|---|---|---|----|
| Total meetings held | 11 | 4 | 5 | 1 | 5 | 2 | 1 | 1 |
| Full governors | | | | | | | | |
| Mr G Evans | 11 | | 5 | | | 2 | 1 | 1 |
| Mr B Haines ¹ | 4 | | 2 | | | 1 | | |
| Prof D Saunders | 11 | 4 | | | | | 1 | 1 |
| Mr A Abdi | 11 | 4 | | | | | | |
| Mr D Austin | 11 | | 5 | | | 2 | | |
| Dr F Cowe | 11 | 4 | | | | | | |
| Dr M Davies | 10 | | | | 5 | | | |
| Ms R Davies | 11 | 4 | 5 | 1 | | | | |
| Ms M Floris | 10 | 4 | | 1 | | | | |
| Mrs M Foster | 11 | | 5 | 1 | | 2 | | |
| Cllr B Gray | 11 | 2 | | | | | | |
| Ms N Hodgkinson | 11 | 4 | 5 | 1 | | | | |
| Mr D James | 11 | | 5 | | | 2 | | |
| Mr M James | 11 | | 5 | | | 2 | | |
| Ms S Khan | 10 | 4 | | | | | | |
| Cllr S Merry | 10 | 4 | | | | | | |
| Mr I Morris | 10 | | | 1 | | | | |
| Mrs S Nawaz | 8 | 4 | | 1 | | | | |
| Mr D Reeves | 11 | | 4 | | | | 1 | 1 |
| Mr J Taylor ² | 11 | | | 1 | 4 | 1 | | |
| Mr R Thomas | 9 | | 4 | | | 1 | | |
| Co-opted governors | | | | | | | | |
| Ms V Compton | | | | | 4 | | | |
| Mr B Davies | | 4 | | | 5 | | | |
| Ms L Farrow | | | | | 5 | | | |
| Mrs H Ferguson ³ | | 2 | | 1 | | | | |
| Mr J Harper | | 2 | | 1 | | | | |
| Ms R Huws Williams | | 4 | | 1 | 5 | | | |
| Ms D Merrick ⁴ | | | | | 1 | | | |
| Miss K Patel | | | 4 | | | | | |
| Independent members | | | | | | | | |
| Mr P Jardine | | | | | | | 1 | |

¹ As described in the Report of the Governing Body, during the year the College's Governing Body, staff and learners paid tribute to Bart Haines, former Vice Chair of Governors, who sadly passed away on 14 January 2021.

² Mr J Taylor was appointed to the Vale Campus Steering Group in February 2021.

³ Mrs H Ferguson was on maternity leave for part of the year.

⁴ Ms D Merrick resigned as Governor in February 2021.

CQSA - Curriculum, Quality and Student Affairs (CQSA)

FGP – Finance and General Purposes (renamed from Finance, Estates, Commercial and HR in November 2021)

HW - Health and Wellbeing Committee

A - Audit

V - Vale Campus Steering Group

R - Remuneration

SG - Search and Governance

INTERNAL CONTROL

Scope of responsibility

The Corporation was ultimately responsible for the Institution'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 Group Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Institution's policies, aims and objectives, whilst safeguarding the public funds and assets for which the Group Chief Executive is personally responsible, in accordance with the responsibilities assigned to the Group Chief Executive in the Financial Memorandum between Cardiff and Vale College and the Welsh Government. The Group Chief Executive was 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 eliminate all risks 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 Institution 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 Cardiff and Vale College for the year ended 31 July 2021 and up to the date of approval of the annual report and financial statements. No significant internal control weaknesses or failures arose during the year.

Capacity to handle risk

The Corporation through the work of the Audit Committee has reviewed the process for identifying and monitoring the key risks to which the Institution was exposed together with the operating, financial and compliance controls that have been instigated to mitigate those risks. The Corporation is of the view that there was a formal ongoing process for identifying, evaluating and managing the Institution's significant risks that had been in place for the year ended 31 July 2021.

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 Corporation;
- regular reviews by the Corporation 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.

INTERNAL CONTROL (continued)

The risk and control framework

The Corporation engaged Deloitte to provide internal audit services and they operate in accordance with the requirements of the Welsh Government. The work of the internal audit service was informed by an analysis of the risks to which the Institution was exposed, and annual internal audit plans were based on this analysis. The analysis of risks and the internal audit plans were endorsed by the Corporation on the recommendation of the Audit Committee. Annually, the Internal Auditors provide the Corporation with a report on internal audit activity in the Institution. The report included the Internal Auditors' independent opinion on the adequacy and effectiveness of the Institution's system of risk management, controls and governance processes.

The annual report of the Internal Auditors provided "substantial assurance" in respect of Corporate Governance, and "substantial assurance" in respect of Risk Management and Internal Control.

The Corporation is satisfied that the internal control framework outlined above meets its obligations in respect of the following:

- the Corporation's statutory responsibility for 'the effective and efficient use of resources, the solvency of the institution and the corporate body and the safeguarding of their assets' (as required by Section 5(3)(c) of Part 2 of Schedule 4 of the Further and Higher Education Act 1992, as amended; and
- the Corporation's contractual responsibilities under its funding agreements and contracts with the Welsh Government.

Review of effectiveness

As Accounting Officer, the Group Chief Executive of Cardiff and Vale College has responsibility for reviewing the effectiveness of the system of internal control. The Group Chief Executive's review of the effectiveness of the system of internal control was informed by:

- the work of the internal auditors;
- the work of the executive managers within the Institution who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the Institution's financial statements auditors in their management letter and other reports.

The Group Chief Executive was advised on the implications of the result of his review of the effectiveness of the system of internal control by the audit committee, which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The executive 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 risk awareness training. The executive team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area was confined to a high level review of the arrangements for internal control. The Corporation's agenda included consideration of risk and control and received reports thereon from the executive team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance not merely reporting by exception.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

INTERNAL CONTROL (continued)

Review of effectiveness (continued)

At its meeting on 7 December 2021, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering the Audit Committee's annual report, the internal audit annual report, the external audit report to management and supporting documentation from officers.

Statement from the Audit Committee

The Audit Committee has considered the reports presented to it by the internal and external auditors during the year and up to the date of the approval of the financial statements, along with the findings of other work undertaken by the Committee as set out in its annual report. Based on this information, the Audit Committee is satisfied that the Governing Body, in discharging its responsibilities, may rely on the College's risk management, internal control and governance processes.

Governing Body's statement on the Corporation's regularity, propriety and compliance with Funding body terms and conditions of funding

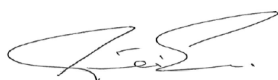
The Corporation has considered its responsibility to notify the Welsh Government of material irregularity, impropriety and non-compliance with Welsh Government terms and conditions of funding, under the financial memorandum and contracts in place between the College and the Welsh Government. As part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

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

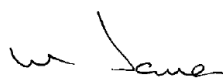
We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Welsh Government.

Going Concern

After making appropriate enquiries, the Corporation considers that the Institution has adequate resources to continue in operational existence for at least 12 months from the date of these financial statements. For this reason, it continues to adopt the going concern basis in preparing the financial statements. Further information on the use of the going concern basis is contained in note 1 to the financial statements.



Mr G D Evans
Chair of the Governing Body



Mr M James
Group Chief Executive

7 December 2021

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF CARDIFF AND VALE COLLEGE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Cardiff and Vale College ("the College") for the year ended 31 July 2021 which comprise the Consolidated and College Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheets, the Consolidated Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2021, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Governing Body has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the College or to cease their operations, and as they have concluded that the Group and the College's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Governing Body's conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the Group and University's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Governing Body's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the College's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the College will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF CARDIFF AND VALE COLLEGE (continued)

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the directors, the Audit Committee and internal audit as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading the Governing Body and Audit Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Obtaining a copy of the Group's fraud register.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from tuition fee and education contract income and other grants and contracts is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those journals posted to revenue accounts with the corresponding entry being posted to unusual accounts.
- Inspecting cash receipts in the period prior to and following 31 July 2021 to verify tuition fee and research income had been recognised in the correct accounting period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Council and other management (as required by auditing standards) and discussed with the Council and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF CARDIFF AND VALE COLLEGE (continued)

The College is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions legislation and specific disclosures required by further education related legislation, including the Accounts Direction for Further Education Colleges in Wales issued by Welsh Government and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the College is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Governing Body is responsible for the other information, which comprises the Report of the Governing Body and Corporate Governance and Internal Control Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Report of the Governing Body and Corporate Governance and Internal Control Statement, is consistent with the financial statements.

Governing Body responsibilities

As explained more fully in their statement set out on page 21, the Governing Body is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent College'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 it either intends to liquidate the Group or the parent College or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF CARDIFF AND VALE COLLEGE (continued)

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

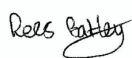
We are required to report on the following matters under the Further Education Audit Code of Practice 2015 (effective 1 August 2014) issued by the Welsh Government under the Learning and Skills Act 2000.

In our opinion, in all material respects:

- monies expended out of Welsh Government grants and other funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation;
- income has been applied in accordance with the Financial Memorandum between the Welsh Government and further education institutions; and
- the financial statements meet the requirements of the Accounts Direction for Further Education Colleges in Wales 2020/21 issued by Welsh Government.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Governing Body and in accordance with paragraph 18 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Governing Body for our audit work, for this report, or for the opinions we have formed.



Rees Batley

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

7 December 2021

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME

| | | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|--|------|-------------------------|------------------|-------------------------|------------------|
| | Note | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| Income | | | | | |
| Welsh Government grants | 2 | 96,737 | 58,188 | 84,421 | 48,267 |
| Tuition fees and education contracts | 3 | 4,922 | 3,445 | 5,862 | 4,063 |
| Other income | 4 | 7,982 | 5,653 | 7,281 | 4,950 |
| Investment income | 5 | 9 | 9 | 7 | 7 |
| Gift aid income from subsidiaries | 6 | - | 3,704 | - | 6,443 |
| Total income | | 109,650 | 70,999 | 97,571 | 63,730 |
| Expenditure | | | | | |
| Staff costs | 7 | 51,585 | 38,597 | 47,764 | 35,217 |
| Other operating expenses | 9 | 45,906 | 21,369 | 39,859 | 18,047 |
| Depreciation and Impairment | 12 | 9,012 | 8,540 | 3,458 | 3,200 |
| Amortisation and impairment | 11 | 4,114 | 168 | 2,631 | 165 |
| Interest and other finance costs | 10 | 2,179 | 2,167 | 2,253 | 2,248 |
| Total expenditure | | 112,796 | 70,841 | 95,965 | 58,877 |
| (Deficit)/surplus before tax | | (3,146) | 158 | 1,606 | 4,853 |
| Taxation | 21 | - | - | 11 | - |
| (Deficit)/surplus for the year | | (3,146) | 158 | 1,617 | 4,853 |
| Actuarial gain/(loss) in respect of pension schemes | 20 | 6,590 | 6,590 | (19,020) | (19,020) |
| Total comprehensive income/(expense) for the year | | 3,444 | 6,748 | (17,403) | (14,167) |

All items of income and expenditure relate to unrestricted income. The notes on pages 38 to 71 form part of these financial statements.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES

| | Income and expenditure reserve | | Revaluation reserve | Total reserves |
|--|--------------------------------|-----------------|---------------------|----------------|
| | Restricted (note 26) | Unrestricted | | |
| | £'000 | £'000 | £'000 | £'000 |
| Group | | | | |
| At 1 August 2020 | 1,525 | (16,853) | 9,630 | (5,698) |
| Surplus for the year | - | (3,146) | - | (3,146) |
| Other comprehensive income | - | 6,590 | - | 6,590 |
| Total comprehensive income for the year | - | 3,444 | - | 3,444 |
| Transfers between income and expenditure and revaluation reserve | - | 2,476 | (2,476) | - |
| At 31 July 2021 | 1,525 | (10,933) | 7,154 | (2,254) |
| College | | | | |
| At 1 August 2020 | 1,525 | (12,117) | 9,630 | (962) |
| Surplus for the year | - | 158 | - | 158 |
| Other comprehensive income | - | 6,590 | - | 6,590 |
| Total comprehensive income for the year | - | 6,748 | - | 6,748 |
| Transfers between income and expenditure and revaluation reserve | - | 2,476 | (2,476) | - |
| At 31 July 2021 | 1,525 | (2,893) | 7,154 | 5,786 |

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

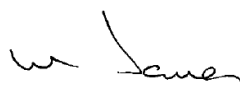
CONSOLIDATED AND COLLEGE BALANCE SHEETS

| | Note | As at 31 July 2021 | | As at 31 July 2020 | |
|--|------|-----------------------|------------------|-----------------------|------------------|
| | | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| Fixed assets | | | | | |
| Intangible assets and goodwill | 11 | 9,332 | 478 | 11,244 | 646 |
| Tangible assets | 12 | 78,420 | 77,021 | 80,586 | 79,350 |
| Investments | 13 | - | 19,098 | - | 19,098 |
| | | ----- | ----- | ----- | ----- |
| | | 87,752 | 96,597 | 91,830 | 99,094 |
| | | ----- | ----- | ----- | ----- |
| Current assets | | | | | |
| Stock | | 19 | - | 6 | - |
| Trade and other receivables | 14 | 7,498 | 3,515 | 8,228 | 3,580 |
| Cash and cash equivalents | | 19,342 | 18,200 | 9,318 | 8,584 |
| | | ----- | ----- | ----- | ----- |
| | | 26,859 | 21,715 | 17,552 | 12,164 |
| Creditors - amounts falling due within one year | 15 | (22,965) | (19,022) | (17,211) | (14,413) |
| | | ----- | ----- | ----- | ----- |
| Net current assets/(liabilities) | | 3,894 | 2,693 | 341 | (2,249) |
| | | ----- | ----- | ----- | ----- |
| Total assets less current liabilities | | 91,646 | 99,290 | 92,171 | 96,845 |
| Creditors - amounts falling due after more than one year | 16 | (53,814) | (53,480) | (55,338) | (55,338) |
| Provisions | | | | | |
| Pension provisions | 20 | (39,390) | (39,390) | (41,920) | (41,920) |
| Other provisions | 21 | (696) | (634) | (611) | (549) |
| | | ----- | ----- | ----- | ----- |
| Total net assets/(liabilities) | | (2,254) | 5,786 | (5,698) | (962) |
| | | ----- | ----- | ----- | ----- |
| Restricted reserves | | | | | |
| Income and expenditure reserve – restricted | 25 | 1,525 | 1,525 | 1,525 | 1,525 |
| Unrestricted reserves | | | | | |
| Income and expenditure reserve - unrestricted | | (10,933) | (2,893) | (16,853) | (12,117) |
| Revaluation reserve | | 7,154 | 7,154 | 9,630 | 9,630 |
| | | ----- | ----- | ----- | ----- |
| Total reserves | | (2,254) | 5,786 | (5,698) | (962) |
| | | ----- | ----- | ----- | ----- |

The financial statements were approved by the members of the Cardiff and Vale Further Education Corporation on 7 December 2021 and signed on its behalf by:



Mr G D Evans
Chair of the Governing Body



Mr M James
Group Chief Executive



Mr M C Roberts
Group Chief Operating Officer

The notes on pages 38 to 71 form part of these financial statements.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

CONSOLIDATED STATEMENT OF CASH FLOWS

| | Year ended 31 July 2021 £'000 | Year ended 31 July 2020 £'000 |
|--|-------------------------------------|-------------------------------------|
| Cash flow from operating activities | | |
| (Deficit)/surplus for the year | (3,146) | 1,617 |
| <i>Adjustments for:</i> | | |
| Depreciation, amortisation and impairment | 13,126 | 6,089 |
| Amortisation of capital grants | (1,266) | (873) |
| Deferred government grants | 3,640 | - |
| Reassessment of goodwill (note 11) | (1,605) | - |
| Pension costs less contributions payable | 3,480 | 2,080 |
| Pension finance cost | 580 | 430 |
| Investment income | (9) | (7) |
| Interest payable | 1,594 | 1,768 |
| Loss on disposal of fixed asset | 98 | |
| Deferred tax credit | - | (11) |
| (Increase)/decrease in stock | (13) | 47 |
| (increase)/decrease in debtors | 730 | 1,836 |
| Increase in creditors | 3,508 | 795 |
| Increase/(decrease) in provisions | 85 | (644) |
| | ----- | ----- |
| Net cash inflow from operating activities | 20,802 | 13,127 |
| | ----- | ----- |
| Cash flows from investing activities | | |
| Investment income | 9 | 7 |
| Payments made to acquire fixed assets | (6,789) | (2,223) |
| Acquisition of subsidiary undertakings (note 13) | (2,625) | (2,206) |
| Capital grants received | 6,262 | 2,030 |
| | ----- | ----- |
| | (3,143) | (2,392) |
| | ----- | ----- |
| Cash flows from financing activities | | |
| Interest paid | (1,576) | (1,747) |
| Interest element of finance lease rental payment | (18) | (21) |
| Repayments of amounts borrowed | (5,758) | (2,230) |
| Capital element of finance lease rental payment | (283) | (332) |
| | ----- | ----- |
| | (7,635) | (4,330) |
| | ----- | ----- |
| Increase in cash and cash equivalents in the year | 10,024 | 6,405 |
| | ----- | ----- |
| Cash and cash equivalents at beginning of the year | 9,318 | 2,913 |
| Cash and cash equivalents at end of the year | 19,342 | 9,318 |

The notes on pages 38 to 71 form part of these financial statements.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

Period of account

These financial statements have been prepared for the year from 1 August 2020 to 31 July 2021.

Basis of preparation

These financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the 2018 Statement of Recommended Practice – Accounting for Further and Higher Education ("the SORP"), the Accounts Direction 2020/21 issued by the Welsh Government, and 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 applied the public benefit entity provisions of FRS 102. A summary of the more important accounting policies, which have been consistently applied unless stated otherwise, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain 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 Report of the Governing Body. The financial position of the College, its cash flow, liquidity and borrowings are described in the financial statements.

The financial statements have been prepared on a going concern basis which the College considers to be appropriate for the following reasons.

The College has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. After reviewing these forecasts, the College is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, the College will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The cash flow forecast for the going concern assessment period considers a number of plausible downside scenarios, including the impact of COVID-19 on income (and in particular non-government and non-UK income streams) and operating costs, supply cost inflation, and the potential impact of a staff cost of living increase being agreed in excess of any associated government funding. These stress-tested forecasts indicate that the College has sufficient resources to be able to operate for a period of at least 12 months from the date of signing.

In addition to its cash reserves, the College's liquidity during the going concern assessment period is supported by a revolving credit facility of £3.5million and overdraft facility of £0.5million.

Taking the above factors into consideration, the College is confident that it will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore have prepared the financial statements on a going concern basis.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries ICAT Limited, CF10 Retail Limited, Associated Community Training Limited, Apprenticeship Learning Solutions Limited, ACT (Holdings) Limited, and South East Wales City Region ATA Limited. The results of any subsidiaries acquired or disposed of during the year are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. The activities of the student union have not been consolidated because the College does not control these activities.

Stocks

Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving or defective stock.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances at the bank and in hand, and short term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Recognition of income

Income from work-based learning grants, other non-capital Government grants, contracts, tuition fees and other services rendered is included to the extent of the completion of the contract or service concerned. For certain academic contracts, income is recognised only to the extent that learners have completed the appropriate assessment process for the qualification they are following, in accordance with external funding guidance to which these contracts are linked. All income from short term deposits is credited to the income and expenditure account in the year in which it is earned. The annual recurrent allocation from the Welsh Government which is intended to meet recurrent costs is credited direct to the income and expenditure account, while European Social Fund grants are accounted for when it is reasonably certain they will be received.

Government capital grants are held as deferred income and recognised over the expected economic life of the asset purchased in accordance with the "accrual method" permitted by FRS 102. In accordance with the requirements of the 2018 FE HE SORP any grants used for the purchase of land or received from a non-Government sources are recognised in income when the College is entitled to the funds and any performance related conditions have been met.

Post-employment benefits

Defined benefit scheme

The College's employees belong to two principal pension schemes, the Cardiff and Vale of Glamorgan Pension Fund (C&VPPF) a scheme operating under the Local Government Pension Scheme (LGPS) (administration and support staff) and the Teachers' Pension Scheme (TPS) (academic staff). Both these schemes are defined benefit schemes.

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

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Post-employment benefits (continued)

The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. Actuarial valuations are undertaken 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 within staff costs as incurred. Net interest on the 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 the profit and loss account. Actuarial gains and losses are recognised immediately in other comprehensive income.

Defined contribution schemes

The Group operates three defined contribution schemes for employees of subsidiary companies. Contributions payable to the Group's defined contribution pension schemes are charged to profit or loss in the period to which they relate.

Short term employment benefits

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

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the methodology directed by the Welsh Government.

Non-current assets - tangible fixed assets

Freehold land

As permitted under FRS 102 first-time adoption rules, certain of the College's freehold land assets were revalued as at 1 August 2014 and are stated in the balance sheet at deemed cost following that revaluation. All other freehold land assets are included in the balance sheet at cost. Freehold land is not depreciated.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Non-current assets - tangible fixed assets (continued)

Buildings

The College's buildings are specialised and, therefore, it is not appropriate to value them on the basis of open market value. Buildings inherited from the Local Education Authority are stated in the balance sheet on the basis of depreciated replacement cost at the date of transfer to the legacy colleges on incorporation on 1 April 1993.

Buildings acquired since incorporation of the legacy colleges are included in the balance sheet at cost, less accumulated depreciation.

All buildings currently owned by the College are held with a primary purpose of supporting education in accordance with the College's charitable status and its estate strategy. Accordingly, buildings are deemed to be held for social benefit and accounted for as an item of property, plant and equipment as required by the SORP. The College may, from time to time, rent unused space within its estate to third party tenants. All such arrangements currently in place and planned in the foreseeable future are short-term arrangements and, as such, consistent with the building's long-term primary purpose of supporting education.

Freehold buildings are depreciated on a straight line basis to their anticipated residual values over the expected useful economic life of the main components of the building:

- Older buildings where the main components have not been separately identified: 40-60 years;
- Newer buildings:

| | Years |
|---------------------------|----------|
| Building shell | 80 – 110 |
| Building finishes | 15 – 36 |
| Building envelope | 36 – 86 |
| Building services systems | 25 – 47 |
| Fixed equipment | 5 – 20 |

Building adaptations are depreciated over periods of between 5 and 25 years dependent upon the nature of the work.

Assets in the course of construction at the balance sheet date are not depreciated and remain un-depreciated until the asset is brought into use. Borrowing costs to finance the construction of buildings are capitalised during the construction period of the asset.

Equipment

From 1 August 2020 the value of individual equipment items that are charged to the income and expense account increased from £1,000 to £5,000. In addition, groups of items that individually cost less than £5,000, but collectively are in excess of that limit and are considered, as a group, to represent an asset that is used over a number of years, are capitalised. All other equipment is capitalised at cost less any provision for impairment. Capitalised assets and groups of assets are depreciated on a straight line basis over their useful economic life as follows:

| | |
|--------------------------------------|---------------------------|
| Teaching equipment | 10%, 20% or 25% per annum |
| Motor vehicles and general equipment | 25% per annum |
| IT equipment | 25% per annum |
| Fixtures and fittings | 10% per annum |

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Non-current assets - tangible fixed assets (continued)

Equipment (continued)

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Capital grants received from Government

Where buildings or equipment are acquired with the aid of specific grants from Government agencies they are capitalised and depreciated in accordance with the policy as above. The related grants are held within creditors and are released to comprehensive income over the useful economic life of the related asset on a basis consistent with the depreciation policy. Where such grants are provided to facilitate the purchase of land they are taken to the Statement of Comprehensive Income, in full, immediately any performance conditions are met.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing arrangements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset has been purchased outright. The fair value of the assets is included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. Assets which are held under hire purchase contracts, which have the characteristics of finance leases, are treated in the same way and depreciated over their useful lives.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful life as follows:

| | Years |
|------------------------------------|-------|
| Contractual customer relationships | 10 |
| ACT brand | 10 |
| Goodwill | 10 |
| Systems development | 5 |

Where market factors indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Financial assets

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred. Borrowing costs incurred during, and directly attributable to, the acquisition, construction or production of a qualifying asset are capitalised.

Reserves

Reserves are classified as restricted or unrestricted. Restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether there are indicators of impairment of the group'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.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Other key sources of estimation uncertainty are as follows:

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Fair value of Eastern Community Campus

The Eastern Community Campus has been included in the financial statements at fair value, which has been calculated by reference to the estimated construction cost of the building that was declared at the outset of the project, multiplied by the College's percentage ownership of the campus.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Full provision is made for deferred taxation resulting from timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes. Deferred taxation is calculated on an un-discounted basis at the tax rates which are expected to apply in the periods when the timing differences will reverse.

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. The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions

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.

Agency costs

The College acts as an agent in the collection and repayment of financial contingency funds, the Young Recruits Programme and the Apprenticeship Employer Incentive Programme. Related payments received from the Welsh Government and subsequent disbursements to students are excluded from the income and expenditure account and shown separately in note 24.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

2 WELSH GOVERNMENT GRANTS

| | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|-------------------------------|-------------------------|---------------|-------------------------|---------------|
| | Consolidated | College | Consolidated | College |
| | £'000 | £'000 | £'000 | £'000 |
| Recurrent grant | 36,188 | 36,188 | 33,091 | 33,091 |
| Work-based learning grant | 44,358 | 7,197 | 42,033 | 7,731 |
| Other Welsh Government grants | 14,925 | 13,537 | 8,424 | 6,572 |
| Amortisation of capital grant | 1,266 | 1,266 | 873 | 873 |
| | ----- | ----- | ----- | ----- |
| | 96,737 | 58,188 | 84,421 | 48,267 |
| | ----- | ----- | ----- | ----- |

3 TUITION FEES AND EDUCATION CONTRACTS

| | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|---------------------------------------|-------------------------|--------------|-------------------------|--------------|
| | Consolidated | College | Consolidated | College |
| | £'000 | £'000 | £'000 | £'000 |
| <u>Tuition fees and charges</u> | | | | |
| UK and EU – Further Education | 303 | 303 | 419 | 419 |
| UK and EU – Higher Education | 1,885 | 1,885 | 2,035 | 2,035 |
| Non-EU – Further Education | 127 | 127 | 426 | 426 |
| | ----- | ----- | ----- | ----- |
| | 2,315 | 2,315 | 2,880 | 2,880 |
| | ----- | ----- | ----- | ----- |
| <u>Education contracts</u> | | | | |
| 14-19 learning pathways | 1,648 | 171 | 1,946 | 147 |
| Other education contracts – UK and EU | 959 | 959 | 1,036 | 1,036 |
| | ----- | ----- | ----- | ----- |
| | 2,607 | 1,130 | 2,982 | 1,183 |
| | ----- | ----- | ----- | ----- |
| | 4,922 | 3,445 | 5,862 | 4,063 |
| | ----- | ----- | ----- | ----- |

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

4 OTHER INCOME

| | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|---------------------------------------|-------------------------|--------------|-------------------------|--------------|
| | Consolidated | College | Consolidated | College |
| | £'000 | £'000 | £'000 | £'000 |
| Residencies, catering and conferences | 553 | - | 433 | - |
| Other income-generating activities | 3,124 | 2,568 | 3,290 | 2,101 |
| Coronavirus Job Retention Scheme | 1,171 | 405 | 717 | 322 |
| Other grant income | 2,054 | 1,832 | 1,423 | 1,423 |
| Other income | 1,080 | 848 | 1,418 | 1,104 |
| | ----- | ----- | ----- | ----- |
| | 7,982 | 5,653 | 7,281 | 4,950 |
| | ----- | ----- | ----- | ----- |

In accordance with Welsh Government stipulations, Coronavirus Job Retention Scheme (CJRS) funding was not claimed for any employees whose posts are substantively funded by Welsh Government funding that continued to be received during the period.

5 INVESTMENT INCOME

| | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|-------------------|-------------------------|---------|-------------------------|---------|
| | Consolidated | College | Consolidated | College |
| | £'000 | £'000 | £'000 | £'000 |
| Interest received | 9 | 9 | 7 | 7 |
| | ----- | ----- | ----- | ----- |

6 GIFT AID INCOME FROM SUBSIDIARIES

| | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|--|-------------------------|--------------|-------------------------|--------------|
| | Consolidated | College | Consolidated | College |
| | £'000 | £'000 | £'000 | £'000 |
| From Associated Community Training Limited | - | 2,492 | - | 5,232 |
| From Apprenticeship Learning Solutions Limited | - | 1,212 | - | 1,211 |
| | ----- | ----- | ----- | ----- |
| | - | 3,704 | - | 6,443 |
| | ----- | ----- | ----- | ----- |

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

7 STAFF COSTS

| | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|--|-------------------------|------------------|-------------------------|------------------|
| | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| Teaching and learning departments | 31,269 | 26,702 | 29,176 | 24,493 |
| Teaching and learning support services | 3,112 | 2,563 | 2,798 | 2,195 |
| Other support services | 1,234 | 1,085 | 1,098 | 926 |
| Administration and central services | 10,372 | 5,052 | 9,213 | 4,533 |
| Premises | 1,174 | 1,059 | 1,122 | 933 |
| Other income-generating activities | 4,286 | 1,998 | 4,249 | 2,029 |
| Enhanced pension charge (note 21) | 7 | 7 | 37 | 37 |
| Voluntary redundancy costs | 131 | 131 | 71 | 71 |
| | ----- | ----- | ----- | ----- |
| | 51,585 | 38,597 | 47,764 | 35,217 |
| | ----- | ----- | ----- | ----- |

| | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|----------------------------|-------------------------|------------------|-------------------------|------------------|
| | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| Wages and salaries | 38,886 | 27,345 | 37,152 | 25,969 |
| Social security costs | 3,456 | 2,504 | 3,248 | 2,310 |
| Pension costs (note 20) | 9,112 | 8,617 | 7,293 | 6,867 |
| Voluntary redundancy costs | 131 | 131 | 71 | 71 |
| | ----- | ----- | ----- | ----- |
| | 51,585 | 38,597 | 47,764 | 35,217 |
| | ----- | ----- | ----- | ----- |

The average monthly number of persons (including key management personnel) employed by the College during the year was:

| | 2021 | | 2020 | |
|--|---------------------|----------------|---------------------|----------------|
| | Consolidated No. | College No. | Consolidated No. | College No. |
| Full-time equivalents | | | | |
| Teaching and learning departments | 675 | 518 | 672 | 511 |
| Teaching and learning support services | 69 | 48 | 65 | 42 |
| Other support services | 70 | 65 | 64 | 57 |
| Administration and central services | 196 | 62 | 194 | 61 |
| Premises | 27 | 23 | 34 | 24 |
| Other income-generating activities | 133 | 42 | 134 | 45 |
| | ----- | ----- | ----- | ----- |
| | 1,170 | 758 | 1,163 | 740 |
| | ----- | ----- | ----- | ----- |

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

7 STAFF COSTS (continued)

| | 2021 | | 2020 | |
|--|---------------------|----------------|---------------------|----------------|
| | Consolidated No. | College No. | Consolidated No. | College No. |
| Headcount | | | | |
| Teaching and learning departments | 903 | 725 | 925 | 743 |
| Teaching and learning support services | 84 | 60 | 85 | 59 |
| Other support services | 89 | 82 | 86 | 77 |
| Administration and central services | 214 | 69 | 208 | 65 |
| Premises | 28 | 24 | 36 | 26 |
| Other income-generating activities | 161 | 51 | 157 | 53 |
| | ----- | ----- | ----- | ----- |
| | 1,479 | 1,011 | 1,497 | 1,023 |
| | ----- | ----- | ----- | ----- |

8 KEY MANAGEMENT PERSONNEL AND HIGHER PAID STAFF

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College – during the year this comprised the College Executive Team (including the Group Chief Executive who is also the Accounting Officer) and the Managing Director of ACT. The Head of Group Corporate Governance and Clerk to the Corporation, as a Senior Post Holder, is also included in this category.

The number of employees, including the Accounting Officer, who received emoluments in the following ranges is shown below.

| | Key management personnel | | Other staff | |
|----------------------|-----------------------------|-------------|-------------|-------------|
| | 2021 No. | 2020 No. | 2021 No. | 2020 No. |
| £60,001 to £65,000 | - | - | 3.0 | 0.8 |
| £65,001 to £70,000 | - | 1.0 | 5.0 | 3.0 |
| £70,001 to £75,000 | 1.0 | 0.2 | - | - |
| £75,001 to £80,000 | 1.0 | 1.0 | - | 2.0 |
| £80,001 to £85,000 | 1.0 | - | 1.0 | 1.0 |
| £85,001 to £90,000 | - | - | - | 1.0 |
| £90,001 to £95,000 | - | - | 2.0 | 2.0 |
| £95,001 to £100,000 | - | 2.5 | - | - |
| £100,001 to £105,000 | - | - | 1.0 | - |
| £105,001 to £110,000 | 3.0 | - | - | - |
| £120,001 to £125,000 | - | 1.0 | - | - |
| £135,001 to £140,000 | - | 2.0 | - | - |
| £145,001 to £150,000 | 2.0 | - | - | - |
| £260,001 to £265,000 | - | 1.0 | - | - |
| £270,001 to £275,000 | 1.0 | - | - | - |
| | ----- | ----- | ----- | ----- |
| | 9.0 | 8.7 | 12.0 | 9.8 |
| | ----- | ----- | ----- | ----- |

There were no key management personnel in remuneration bands other than those shown above.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

8 KEY MANAGEMENT PERSONNEL AND HIGHER PAID STAFF (continued)

Emoluments include remuneration and benefits in kind but exclude compensation for loss of office and employer pension contributions. Employees who were appointed to or resigned their post part-way through the year are included in the appropriate band based on remuneration that would have been received had they been in post for the full year. There were no key management personnel below £60,001 and as such those bandings have been excluded.

Key Management Personnel emoluments are made up as follows:

| | 2021 | 2020 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Salaries | 1,073 | 1,065 |
| Payments in lieu of pension contributions | 47 | 45 |
| Benefits in kind | 1 | 12 |
| | ----- | ----- |
| | 1,121 | 1,122 |
| Pension costs | 159 | 143 |
| | ----- | ----- |
| | 1,280 | 1,265 |
| | ----- | ----- |

The pension costs in respect of Key Management Personnel relate to employer's contributions to the Teachers', Local Government, or other pension schemes.

There were no amounts due to Key Management Personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The total remuneration of the College's Key Management Personnel is commensurate with the College's size, group structure, and the breadth and nature of its activities. Performance of Key Management Personnel is assessed against key performance indicators in conjunction with the relevant HR department and using standard performance management procedures. Remuneration is benchmarked periodically, utilising independent benchmarking services where appropriate, against other education establishments in both Wales and the UK. As outlined on page 16, the remuneration of the College's four senior post holder roles is also considered by the Remuneration Committee, which includes an independent external non-governor member.

Key Management Personnel emoluments include the following amounts paid to the Group Chief Executive, who is also the Accounting Officer and highest paid member of staff:

| | 2021 | 2020 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Salary | 226 | 219 |
| Payments in lieu of pension contributions | 47 | 45 |
| | ----- | ----- |
| | 273 | 264 |
| Pension costs | - | - |
| | ----- | ----- |
| | 273 | 264 |
| | ----- | ----- |

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

8 KEY MANAGEMENT PERSONNEL AND HIGHER PAID STAFF (continued)

The relationship of the Group Chief Executive's remuneration expressed as a multiple of the median remuneration of all other corporation employees (on a full-time equivalent basis) was as follows:

| | 2021 | 2020 |
|---|------|------|
| Group Chief Executive's basic salary as a multiple of the median of all staff | 7.1 | 7.2 |
| Group Chief Executive's total remuneration as a multiple of the median of all staff | 7.0 | 7.3 |

The Group Chief Executive is a senior post holder and, as such, his remuneration is set by the Governing Body, taking into account the recommendations of the Remuneration Committee. The Group Chief Executive is not involved in determining his remuneration.

The Remuneration Committee agreed its recommendations in respect of the Group Chief Executive's current remuneration at its meeting on 18 February 2021, and these were subsequently considered and approved by the Governing Body on 2 March 2021. The Committee's recommendations took account of the Group Chief Executive's performance in meeting the College's strategic objectives and delivering its priorities of quality, efficiency and growth. A range of performance indicators were considered, including academic and financial performance and external measures including the outcome of recent inspections by Estyn, the education and training inspectorate for Wales. The Committee also considered independent benchmarking information for Wales and elsewhere in the UK, in order to include comparable education institutions similar in size and activity to the College.

Expenses reimbursed to members of the Corporation

Payments of £438 (2020: £504) were made to two members of the Corporation (2020: two) other than the Group Chief Executive and other staff governors, for travel and subsistence expenses incurred in the course of their duties.

Compensation for loss of office payable to former Key Management Personnel

During the year there were no payments made (2020: £28,141) to Key Management Personnel in respect of compensation for loss of office.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

9 OTHER OPERATING EXPENSES

| | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|-------------------------------------|-------------------------|---------------|-------------------------|---------------|
| | Consolidated | College | Consolidated | College |
| | £'000 | £'000 | £'000 | £'000 |
| Teaching departments | 1,432 | 1,136 | 1,833 | 1,290 |
| <u>Teaching support services</u> | | | | |
| • Examination fees | 1,782 | 1,232 | 1,651 | 1,173 |
| • Learner transport | 85 | 85 | 124 | 124 |
| • Other teaching support services | 1,433 | 481 | 1,416 | 355 |
| Other support services | 133 | 133 | 66 | 65 |
| Catering costs | 226 | 126 | 378 | 99 |
| Marketing | 659 | 583 | 506 | 458 |
| Administration and central services | 4,701 | 3,624 | 3,691 | 2,018 |
| Income generation costs | 722 | 122 | 1,447 | 648 |
| Premises costs | 4,650 | 3,532 | 5,220 | 3,795 |
| <u>Subcontracted provision</u> | | | | |
| • Work-based learning | 23,157 | 4,834 | 19,647 | 5,346 |
| • Franchised courses | 820 | 820 | 804 | 804 |
| • Other subcontracts | 6,106 | 4,661 | 3,076 | 1,871 |
| | ----- | ----- | ----- | ----- |
| | 45,906 | 21,369 | 39,859 | 18,047 |
| | ----- | ----- | ----- | ----- |

Other operating expenses include:

| | Consolidated and College | |
|--|--------------------------|-------|
| | 2021 | 2020 |
| | £'000 | £'000 |
| Auditors' remuneration | | |
| External auditors | | |
| • Audit of the financial statements | 69 | 54 |
| • Audit of the subsidiary financial statements | 58 | 47 |
| • Other services provided by external auditor | 27 | 11 |
| | ----- | ----- |
| | 154 | 112 |
| Internal auditors | | |
| • Internal audit | 29 | 24 |
| • Other services provided by internal auditor | 51 | 25 |
| | ----- | ----- |
| | 80 | 49 |
| Operating lease rental | | |
| • Land and buildings | 718 | 639 |
| • Other | 136 | 136 |
| | ----- | ----- |
| | 854 | 775 |

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

10 INTEREST AND OTHER FINANCE COSTS

| | 2021 | | 2020 | |
|--|-----------------------|------------------|-----------------------|------------------|
| | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| Bank loans and overdrafts | 1,576 | 1,564 | 1,747 | 1,747 |
| Finance leases | 18 | 18 | 21 | 21 |
| Pension finance costs (note 20) | 580 | 580 | 430 | 430 |
| Enhanced pension provision (note 21) | 5 | 5 | 8 | 8 |
| Finance charge on deferred consideration | - | - | 47 | 42 |
| | 2,179 | 2,167 | 2,253 | 2,248 |

11 INTANGIBLE ASSETS AND GOODWILL

| Consolidated | Contractual customer relationships £'000 | ACT brand £'000 | Goodwill £'000 | Systems development £'000 | Total £'000 |
|--|---|-----------------------|-------------------|---------------------------------|----------------|
| Cost | | | | | |
| At 1 August 2020 | 8,307 | 1,600 | 7,098 | 839 | 17,844 |
| Additions (see below) | - | - | 2,202 | - | 2,202 |
| At 31 July 2021 | 8,307 | 1,600 | 9,300 | 839 | 20,046 |
| Amortisation and impairment | | | | | |
| At 1 August 2020 | 3,557 | 685 | 2,165 | 193 | 6,600 |
| Amortisation charge | 1,052 | 202 | 1,423 | 168 | 2,845 |
| Impairment charge | - | - | 1,269 | - | 1,269 |
| At 31 July 2021 | 4,609 | 887 | 4,857 | 361 | 10,714 |
| Net book value | | | | | |
| At 31 July 2021 | 3,698 | 713 | 4,443 | 478 | 9,332 |
| At 31 July 2020 | 4,750 | 915 | 4,933 | 646 | 11,244 |

The balances presented above relating to contractual customer relationships, ACT brand and goodwill arose on acquisition of the ACT Group and Apprenticeship Learning Solutions Limited (ALS). See note 13 for further information.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

11 INTANGIBLE ASSETS AND GOODWILL (continued)

The additions to goodwill in the year relate to the following:

- Adjustment to the value of contingent consideration of £597,000 (see note 15); and
- A reassessment of the cost of goodwill arising on the acquisition of the ACT group of £1,605,000, with a corresponding reduction in trade receivables of the same amount also recognised in the year (see note 14).

The impairment charge of £1,269,000 has been recognised in the year relating to goodwill arising on the company's investment in ALS. Following a recent procurement exercise, ALS was unsuccessful in securing a contract with Welsh Government for delivery of apprenticeships after July 2021. From August 2021 onwards ALS's main source of turnover will be through an apprenticeship subcontract with ACT, and its network of subcontract partners entered into new subcontract arrangements with ACT with effect from 1 August 2021.

| College | Systems development £'000 | Total £'000 |
|------------------------------------|--|------------------------|
| Cost | | |
| At 1 August 2020 and 31 July 2021 | 839 | 839 |
| | ----- | ----- |
| Amortisation and impairment | | |
| At 1 August 2020 | 193 | 193 |
| Amortisation charge | 168 | 168 |
| | ----- | ----- |
| At 31 July 2020 | 361 | 361 |
| | ----- | ----- |
| Net book value | | |
| At 31 July 2021 | 478 | 478 |
| At 31 July 2020 | 646 | 646 |

The balances presented above relate to the Learner Journey project, an overarching review of the College's business processes from the first stages of student contact, through recruitment and enrolment, to studying at the College, receiving support during studies and then onto progressing onto higher education or employment.

This project resulted in a number of IT system developments which have been capitalised as an intangible asset, including:

- A new College website;
- The creation of staff and student portals;
- A new Electronic Individual Learning Plan system to provide better tracking and monitoring of learner performance; and
- The roll out of a solution to capture all contact from employers to enhance student employability and provide more a more focused training provision.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

12 TANGIBLE ASSETS

| Consolidated | Freehold land & buildings £'000 | Plant, equipment & vehicles £'000 | Computers & IT £'000 | Assets in the course of construction £'000 | Total £'000 |
|--|--|--|-------------------------------------|---|------------------------|
| Cost | | | | | |
| At 1 August 2020 | 92,484 | 11,218 | 6,076 | 230 | 110,008 |
| Additions | 388 | 1,309 | 2,026 | 3,221 | 6,944 |
| Disposals | - | (94) | (4) | - | (98) |
| | ----- | ----- | ----- | ----- | ----- |
| At 31 July 2021 | 92,872 | 12,433 | 8,098 | 3,451 | 116,854 |
| | ----- | ----- | ----- | ----- | ----- |
| Accumulated depreciation and impairment | | | | | |
| At 1 August 2020 | 17,738 | 7,481 | 4,203 | - | 29,422 |
| Charge for the year | 1,803 | 1,253 | 763 | - | 3,819 |
| Impairment charge | 5,193 | - | - | - | 5,193 |
| | ----- | ----- | ----- | ----- | ----- |
| At 31 July 2021 | 24,734 | 8,734 | 4,966 | - | 38,434 |
| | ----- | ----- | ----- | ----- | ----- |
| Net book value | | | | | |
| At 31 July 2021 | 68,138 | 3,699 | 3,132 | 3,451 | 78,420 |
| At 31 July 2020 | 74,746 | 3,737 | 1,873 | 230 | 80,586 |

Freehold land and buildings include a cost of £40,113,000 for the City Centre Campus, which was partly funded through a grant from the Welsh Government. The terms of this grant places restrictions on the use of the campus and any potential disposal would require the approval of the Welsh Government.

The net book value of equipment includes an amount of £586,000 (2020: £704,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £274,000 (2020: £271,000).

The impairment charge in the year relates mainly to the following:

- £1,937,000 relating to the College's Colcot Road and ICAT sites, reflecting the fact that those assets will be disposed of for redevelopment following completion of the new Vale campus development;
- £2,851,000 relating to the One Canal Parade site in Cardiff city centre, following a recent external valuation and value in use assessment.
- £395,000 relating to replacement of lighting in the City Centre Campus building

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

12 TANGIBLE ASSETS (continued)

| College | Land & buildings | Plant, equipment & vehicles | Computers & IT | Assets in the course of construction | Total |
|---------------------------------|------------------|-----------------------------|----------------|--------------------------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | |
| At 1 August 2020 | 91,618 | 8,276 | 6,076 | 230 | 106,200 |
| Additions | 387 | 675 | 2,026 | 3,221 | 6,309 |
| Disposals | - | (94) | (4) | - | (98) |
| | ----- | ----- | ----- | ----- | ----- |
| At 31 July 2021 | 92,005 | 8,857 | 8,098 | 3,451 | 112,411 |
| | ----- | ----- | ----- | ----- | ----- |
| Accumulated depreciation | | | | | |
| At 1 August 2020 | 17,162 | 5,484 | 4,204 | - | 26,850 |
| Charge for the year | 1,765 | 819 | 763 | - | 3,347 |
| Impairment charge | 5,193 | - | - | - | 5,193 |
| | ----- | ----- | ----- | ----- | ----- |
| At 31 July 2021 | 24,120 | 6,303 | 4,967 | - | 35,390 |
| | ----- | ----- | ----- | ----- | ----- |
| Net book value | | | | | |
| At 31 July 2021 | 67,885 | 2,554 | 3,131 | 3,451 | 77,021 |
| At 31 July 2020 | 74,456 | 2,792 | 1,872 | 230 | 79,350 |

Freehold land and buildings include a cost of £40,113,000 for the City Centre Campus, which was partly funded through a grant from the Welsh Government. The terms of this grant places restrictions on the use of the campus and any potential disposal would require the approval of the Welsh Government.

The net book value of equipment includes an amount of £586,000 (2020: £704,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £274,000 (2020: £271,000).

The increase in assets in the course of construction in the year related mainly to the Canal Park project.

The impairment charges recognised in the year are outlined above.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENTS

The College owns 100% of the issued ordinary £1 shares of the following companies, all incorporated in Great Britain.

- ICAT Limited, whose principal business activity is the provision of customised training;
- CF10 Retail Limited, whose principal business activity is the provision of retail services;
- International Centre for Aerospace Training Limited (dormant);
- Cardiff College Enterprises Limited (dormant);
- South East Wales City Region ATA Limited whose principal business activity is to offer employers a low risk, easy to use apprenticeship model; and
- ACT (Holdings) Limited. ACT (Holdings) Limited owns 100% of the share capital of Associated Community Training Limited and Learn About (Wales) Limited (dormant). Associated Community Training Limited owns 100% of the share capital of Apprenticeship Learning Solutions Limited (ALS). Together these entities form the ACT Group.

Learn About (Wales) Limited, a dormant company which was dissolved via voluntary strike-off on 11 June 2019, was restored on 1 October 2021 for administrative reasons; the company remains dormant, and it is the directors' intention to strike off the company in due course.

Investment in the ACT Group

The cost of the investment in the ACT group is £19,098,000 (2020: £19,098,000). As described in note 11, an impairment charge relating to goodwill arising on the acquisition of ALS was recognised in the year.

Cash flows

The statement of cash flows shows a total cash outflow of £2,625,000 (2020: £2,206,000) in respect of the acquisition of subsidiary undertakings. This comprises:

- £2,063,000 cash payments made in respect of ACT Limited contingent consideration (2020: £2,479,000); and
- £562,000 cash payments made in respect of ALS Limited contingent consideration (2020: £299,000)

All of these payments were fully funded by gift aid received by the College from the relevant subsidiary.

14 TRADE AND OTHER RECEIVABLES

| | As at 31 July 2021 | | As at 31 July 2020 | |
|--|--------------------|--------------|--------------------|--------------|
| | Consolidated | College | Consolidated | College |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts falling due within one year: | | | | |
| Trade receivables | 3,481 | 15 | 6,039 | 1,004 |
| Prepayments and accrued income | 4,017 | 2,970 | 2,189 | 1,865 |
| Amounts due from subsidiary undertakings | - | 530 | - | 711 |
| | ----- | ----- | ----- | ----- |
| | 7,498 | 3,515 | 8,228 | 3,580 |
| | ----- | ----- | ----- | ----- |

All amounts due from subsidiary undertakings are interest free and repayable on demand.

During the year, a reassessment of goodwill arising on the acquisition of the ACT Group resulted in a non-cash adjustment to trade receivables of £1,605,000, with a corresponding increase to the cost of goodwill included within intangible assets, as described in note 11 to the financial statements.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

15 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

| | As at 31 July 2021 | | As at 31 July 2020 | |
|------------------------------------|-----------------------|------------------|-----------------------|------------------|
| | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| Bank loans (see note 17) | 2,298 | 2,298 | 2,008 | 2,008 |
| Obligations under finance leases | 221 | 221 | 199 | 199 |
| Trade payables | 3,103 | 1,331 | 3,661 | 2,050 |
| Other taxation and social security | 1,659 | 1,328 | 1,653 | 1,288 |
| Accruals and deferred income | 12,418 | 11,624 | 4,979 | 4,719 |
| Holiday pay accrual | 1,110 | 946 | 861 | 861 |
| Government capital grants | 1,394 | 1,272 | 1,071 | 1,071 |
| Other grants | 2 | 2 | 5 | 5 |
| Contingent consideration | 584 | - | 2,752 | 2,190 |
| Other creditors | 176 | - | 22 | 22 |
| | ----- | ----- | ----- | ----- |
| | 22,965 | 19,022 | 17,211 | 14,413 |
| | ----- | ----- | ----- | ----- |

Contingent consideration is the net present value of potential future consideration payments relating to the acquisition of Apprenticeship Learning Solutions Limited (ALS) by Associated Community Training Limited (see note 13). The liability relates to agreed financial performance targets which have been met by ALS in the year, and this arrangement is structured so that any liability falling due in this regard will be fully funded from the related additional surpluses generated by ALS. The liability has reduced compared to the prior year, which also included contingent consideration relating to the acquisition of Associated Community Training, an arrangement which has now ended.

Deferred Income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance-related conditions have been met.

| | As at 31 July 2021 | | As at 31 July 2020 | |
|-----------------|-----------------------|------------------|-----------------------|------------------|
| | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| Deferred income | 4,721 | 4,721 | 1,222 | 1,222 |
| | ----- | ----- | ----- | ----- |
| | 4,721 | 4,721 | 1,222 | 1,222 |
| | ----- | ----- | ----- | ----- |

16 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | As at 31 July 2021 | | As at 31 July 2020 | |
|----------------------------------|-----------------------|------------------|-----------------------|------------------|
| | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| Bank loans (see note 17) | 31,148 | 31,148 | 37,196 | 37,196 |
| Obligations under finance leases | 259 | 259 | 408 | 408 |
| Government capital grants | 22,407 | 22,073 | 17,734 | 17,734 |
| | ----- | ----- | ----- | ----- |
| | 53,814 | 53,480 | 55,338 | 55,338 |
| | ----- | ----- | ----- | ----- |

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

16 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

The movement of government capital grants during the year is broken down as follows:

| | 2021 £'000 | 2020 £'000 |
|-------------------------------------|---------------|---------------|
| At 1 August | 18,805 | 17,648 |
| New grants received during the year | 6,262 | 2,030 |
| Grant released during the year | (1,266) | (873) |
| | ----- | ----- |
| At 31 July | 23,801 | 18,805 |
| | ----- | ----- |

17 BORROWINGS

Bank loans

Bank loans are repayable as follows:

| | As at 31 July 2021 | | As at 31 July 2020 | |
|----------------------------------|-----------------------|------------------|-----------------------|------------------|
| | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| Due within one year or on demand | 2,298 | 2,298 | 2,008 | 2,008 |
| Due between one and two years | 2,241 | 2,241 | 6,048 | 6,048 |
| Due between two and five years | 13,967 | 13,967 | 14,174 | 14,174 |
| Due in five years or more | 14,940 | 14,940 | 16,974 | 16,974 |
| | ----- | ----- | ----- | ----- |
| Total | 33,446 | 33,446 | 39,204 | 39,204 |
| | ----- | ----- | ----- | ----- |

The College had two unsecured bank loans during the year, both with Santander.

The first is split into two £10million tranches. Each tranche comprises a three-year revolving credit facility which commenced on 9 August 2013, followed by term loans of seven and thirteen years respectively. Capital repayments on both loan tranches commenced in October 2016, with a repayment profile based on a 22-year repayment period. The interest rates relating to both tranches have been fixed at rates between 4.54% and 5.47%.

The second loan was entered into on 14 October 2016, and totals £10million repayable over 10 years at a fixed rate of interest of 3.702%. As part of this agreement the covenants relating to the existing facilities agreement were amended to incorporate the revised accounting treatments set out in FRS 102 and the SORP.

The third loan, also with Santander, was entered into on 23 August 2018, and totals £12.78million. The loan has a repayment profile based on a 20-year repayment period, and incurs interest at a fixed rate of 4.01%. The loan was used to fund the purchase of the freehold property One Canal Parade, a newly constructed office block situated on Dumballs Road, next to the City Centre Campus, and the loan is secured on this property.

CARDIFF AND VALE COLLEGE**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021****NOTES TO THE FINANCIAL STATEMENTS****17 BORROWINGS (continued)****Bank loans (continued)**

In addition to the bank loans described above, on 23 July 2018 the College secured a £3.5million revolving credit facility with Santander. Interest on the facility is charged at the Sterling Overnight Index Average (SONIA) rate + 1.6%. During the year the College extended the facility until 31 May 2022, and retains an option to extend it for a further year to 31 May 2023.

Finance leases

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

| | 31 July 2021 | | 31 July 2020 | |
|----------------------------|-----------------------|------------------|-----------------------|------------------|
| | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| In one year or less | 221 | 221 | 199 | 199 |
| Between two and five years | 259 | 259 | 408 | 408 |
| | ----- | ----- | ----- | ----- |
| Total | 480 | 480 | 607 | 607 |
| | ----- | ----- | ----- | ----- |

18 CONSOLIDATED RECONCILIATION OF NET DEBT

| | At 1 August 2020 | Cash flows | Non-cash loan movement | New finance leases | At 31 July 2021 |
|--------------------------|---------------------|---------------|------------------------------|-----------------------|--------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cash at bank and in hand | 9,318 | 10,024 | - | - | 19,342 |
| Debt due within one year | (2,008) | 2,258 | (2,548) | - | (2,298) |
| Debt due after one year | (37,196) | 3,500 | 2,548 | - | (31,148) |
| Finance leases | (607) | 283 | - | (156) | (480) |
| | ----- | ----- | ----- | ----- | ----- |
| | (30,493) | 16,065 | - | (156) | (14,584) |
| | ----- | ----- | ----- | ----- | ----- |

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

19 LEASE OBLIGATIONS

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

| | 2021 | | 2020 | |
|---|-----------------------|------------------|-----------------------|------------------|
| | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| Land and Buildings | | | | |
| Not later than one year | 1,297 | 718 | 1,290 | 718 |
| Later than one year and not later than five years | 2,005 | 1,792 | 2,907 | 2,169 |
| Later than five years | 4,493 | 4,493 | 4,834 | 4,834 |
| | ----- | ----- | ----- | ----- |
| | 7,795 | 7,003 | 9,031 | 7,721 |
| | ----- | ----- | ----- | ----- |
| Other | | | | |
| Not later than one year | 159 | 45 | 256 | 112 |
| Later than one year and not later than five years | 117 | 12 | 118 | 57 |
| | ----- | ----- | ----- | ----- |
| | 276 | 57 | 374 | 169 |
| | ----- | ----- | ----- | ----- |

20 PENSION PROVISIONS

The Group operates the following pension schemes:

- the Cardiff and Vale of Glamorgan Pension Fund (C&VFP), a defined benefit scheme operating under the Local Government Pension Scheme (LGPS);
- the Teachers' Pension Scheme (TPS), a defined benefit scheme;
- the National Employment Savings Trust (NEST) pension scheme, a defined contribution scheme;
- the Scottish Widows pension scheme, a defined contribution scheme;
- the St James's Place Wealth Management scheme, a defined contribution scheme;
- Legal & General, a defined contribution scheme; and
- Aviva, a defined contribution scheme.

Consolidated

| | 2021 | | 2020 | |
|---|--------------|--------------|--------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Teachers' Pension Scheme: contributions paid | | 3,400 | | 3,070 |
| Local Government Pension Scheme: | | | | |
| Contributions paid | 1,730 | | 1,680 | |
| FRS 102 (28) charge | <u>3,480</u> | | <u>2,080</u> | |
| | | 5,210 | | 3,760 |
| Enhanced pension charge (see note 21) | | 7 | | 37 |
| Defined contribution schemes: contributions paid | | 495 | | 426 |
| | | ----- | | ----- |
| Total pension cost for the year within staff costs | | 9,112 | | 7,293 |
| | | ----- | | ----- |

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

20 PENSION PROVISIONS (continued)

| College | 2021 | 2020 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Teachers' Pension Scheme: contributions paid | 3,400 | 3,070 |
| Local Government Pension Scheme: | | |
| Contributions paid | 1,730 | 1,680 |
| FRS 102 (28) charge | <u>3,480</u> | <u>2,080</u> |
| | 5,210 | 3,760 |
| Enhanced pension charge (see note 21) | 7 | 37 |
| | ----- | ----- |
| Total pension cost for the year within staff costs | 8,617 | 6,867 |
| | ----- | ----- |

The pension costs for the defined benefit schemes are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2016 and the C&VPF 31 March 2019.

At 31 July 2021 contributions amounting to £625,000 (2020: £553,000) were payable to the schemes and are included within creditors.

Teachers' Pension Scheme

Overview

The TPS is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

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

20 PENSION PROVISIONS (continued)

Valuation of the Teachers' Pension Scheme

The most recent actuarial valuation of the Teachers' Pension Scheme was published in March 2019, using membership data as at 31 March 2016. As a result of this valuation TPS employers pay a contribution rate of 23.68% (including the administration levy of 0.8%) which became effective from September 2019.

Scheme changes

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case was subsequently referred to an Employment Tribunal in December 2019, which decided that the affected scheme members were entitled to return to their pre-2015 pension schemes.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

The pension costs paid to TPS in the year amounted to £3,400,000 (2020: £3,070,000).

FRS 102 (28)

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

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

Cardiff and Vale of Glamorgan Pension Fund (C&VPF)

Overview

The C&VPF is a funded defined benefit scheme, operating under the Local Government Pension Scheme (LGPS) with the assets held in separate trustee-administered funds.

The financial statements incorporate the accounting information from the actuarial accounting valuation at 31 July 2021, which reflects an update of the results of the most recent funding valuation as at 31 March 2019 (which was finalised in March 2020) in line with the requirements of FRS102.

The net pension liability recognised as at 31 July 2021 was £39.4million (2020: £41.9million).

CARDIFF AND VALE COLLEGE**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021****NOTES TO THE FINANCIAL STATEMENTS**

20 PENSION PROVISIONS (continued)Principal assumptions

The principal assumptions made by the actuaries were:

| | 2021 | 2020 |
|--|-------------|-------------|
| CPI Inflation | 2.6% | 2.2% |
| Rate of increase in salaries | 3.6% | 3.2% |
| Rate of increase for pensions in payment | 2.6% | 2.2% |
| Rate of revaluation of pension accounts | 2.6% | 2.2% |
| Rate of increase to deferred pensions | 2.6% | 2.2% |
| Discount rate for liabilities | 1.7% | 1.4% |

Mortality

The mortality assumptions are based on the SAPS S2N standard mortality tables with allowance for future improvements in line with CMI 2014 core projections with a long term improvement rate of 1.5% pa. The assumed life expectations on retirement at age 65 are:

| | 2021 | 2020 |
|-----------------------|-------------|-------------|
| Retiring today: | | |
| Male | 22.3 | 22.2 |
| Female | 24.7 | 24.6 |
| Retiring in 20 years: | | |
| Male | 23.3 | 23.2 |
| Female | 26.1 | 26.0 |

Asset split as a percentage of total assets

| | 2021 | 2020 |
|------------------|---------------|---------------|
| Equities | 66.5% | 61.1% |
| Property | 6.6% | 8.2% |
| Government bonds | 10.1% | 12.0% |
| Corporate bonds | 15.2% | 17.1% |
| Cash | 1.6% | 1.4% |
| Other | - | 0.2% |
| | ----- | ----- |
| | 100.0% | 100.0% |
| | ----- | ----- |

CARDIFF AND VALE COLLEGE**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021****NOTES TO THE FINANCIAL STATEMENTS**

20 PENSION PROVISIONS (continued)**Analysis of the amount charged to the Statement of Comprehensive Income**

| | 2021 | 2020 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Amounts included in staff costs | | |
| Employer current service cost net of employee contributions | 5,210 | 3,740 |
| Past service cost - pension strain | - | 20 |
| | ----- | ----- |
| Total amount charged to the Statement of Comprehensive Income | 5,210 | 3,760 |
| | ----- | ----- |

Amounts included in interest payable

| | 2021 | 2020 |
|-------------------|--------------|--------------|
| | £'000 | £'000 |
| Net interest cost | 580 | 430 |
| | ----- | ----- |

Amount recognised in Other Comprehensive Income

| | 2021 | 2020 |
|--|--------------|-----------------|
| | £'000 | £'000 |
| Asset gains/(losses) arising in the year | 7,520 | (900) |
| Liability increase arising in the year | (930) | (18,120) |
| | ----- | ----- |
| Total amount recognised in Other Comprehensive Income | 6,590 | (19,020) |
| | ----- | ----- |

Net pension liability recognised on balance sheet

| | 2021 | 2020 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Fair value of College's share of scheme assets | 51,690 | 42,300 |
| Present value of defined benefit obligation relating to the College | (91,080) | (84,220) |
| | ----- | ----- |
| Net pension liability applicable to the College | (39,390) | (41,920) |
| | ----- | ----- |

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

20 PENSION PROVISIONS (continued)

Movement in net pension liability during the year

| | 2021 | 2020 |
|-----------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| At 1 August | (41,920) | (20,390) |
| Current service cost | (5,210) | (3,740) |
| Employer contributions | 1,730 | 1,680 |
| Past service cost | - | (20) |
| Net interest cost on assets | (580) | (430) |
| Actuarial gain/(loss) | 6,590 | (19,020) |
| | ----- | ----- |
| At 31 July | (39,390) | (41,920) |
| | ----- | ----- |

Movement in present value of defined benefit obligation

| | 2021 | 2020 |
|--------------------------------|---------------|---------------|
| | £'000 | £'000 |
| At 1 August | 84,220 | 61,440 |
| Current service cost | 5,210 | 3,740 |
| Past service cost | - | 20 |
| Interest expense | 1,180 | 1,350 |
| Remeasurement: actuarial loss* | 930 | 18,120 |
| Contributions by members | 630 | 610 |
| Benefits paid # | (1,090) | (1,060) |
| | ----- | ----- |
| At 31 July | 91,080 | 84,220 |
| | ----- | ----- |

Movement in fair value of scheme assets

| | 2021 | 2020 |
|---|---------------|---------------|
| | £'000 | £'000 |
| At 1 August | 42,300 | 41,050 |
| Interest income | 600 | 920 |
| Remeasurement: (losses)/gains on assets | 7,520 | (900) |
| Contributions by employer | 1,730 | 1,680 |
| Contributions by members | 630 | 610 |
| Benefits paid # | (1,090) | (1,060) |
| | ----- | ----- |
| At 31 July | 51,690 | 42,300 |
| | ----- | ----- |

*Includes changes to the actuarial assumptions.

Consists of net cash flow out of the fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

20 PENSION PROVISIONS (continued)

Valuation of assets in the Cardiff and Vale of Glamorgan Pension Fund (“the scheme”)

As shown above, the actuarial report for the year ended 31 July 2021 showed an estimated return on the College's notional allocation of scheme assets of £8.12million (comprising interest income on assets and asset gains in the year). Management have relied on the fund administrators to calculate the return on scheme assets. The actual return on assets during the year may be different from the estimated return due to inherent estimation uncertainty in the value of scheme assets at 31 July 2021, which has arisen because asset values are rolled forward from the 31 March 2021, the most recent reporting date of the scheme. The roll-forward valuation allows for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the scheme, by and in respect of the College and its employees. A change of 1% in the asset value would increase/decrease the valuation of the College's notional allocation of scheme asset by £0.5million.

Other issues

The actuarial valuation for the year ended 31 July 2021 considered the following issues:

McCloud/Sargeant judgement

In December 2018 the Court of Appeal ruled in the McCloud/ Sargeant judgement that the transitional protection arrangements put in place when the Firefighters' and Judges' pension schemes were reformed were age discriminatory. The Government subsequently committed to extending a remedy across all public sector schemes that included similar transitional protection arrangements, which includes the LGPS.

The financial statements include an actuarial estimate of potential McCloud liabilities using the data provided for the 2019 funding valuation, allowing for the key elements of the proposed remedy as set out in the consultation published by the Ministry of Housing, Communities & Local Government (MHCLG) in July 2020.

The actuaries' method for valuing the McCloud remedy is closely aligned to the method proposed by MHCLG in its consultation. On 13 May 2021 MHCLG's written ministerial statement confirmed they would be proceeding with the key principles as set out in that consultation, with a full government response to follow later in 2021.

GMP indexation

A High Court ruling in October 2018 determined that pension funds must equalise benefits payable to pension scheme members who have guaranteed minimum pensions (GMPs) as a result of contracted out benefits. The method for calculating GMPs used different retirement ages for men and women, which was later ruled to be unlawful due to the resulting difference in benefit between men and women. The High Court ruling has determined the method that pension schemes should use to equalise these benefits. The financial statements for the prior year included an estimate of potential liabilities in respect of the ruling, which were included within past service costs.

The actuarial valuation for the year ended 31 July 2021 includes an assumption of full indexation of GMPs for members whose State Pension Age is on or after 6 April 2016.

In October 2020 a second High Court ruling in the case clarified that compensation would be required for members who transferred benefits out after May 1990. The Government has not yet acknowledged a liability in public service schemes nor indicated an approach to rectifying this. Due to the current uncertainty in this regard, the actuary has not made any allowance for a potential liability resulting from this ruling in its valuation for the year ended 31 July 2021.

20 PENSION PROVISIONS (continued)

Other issues (continued)

Change in methodology for CPI assumption

The Fund Actuary has proposed a change to their standard approach to setting the CPI assumption, to take account of RPI reform. The method for calculating the RPI assumption (on which the CPI assumption is based) has been updated, resulting in a reduction of between 4% and 6% in the DBO (i.e. between c£3,600k and c£5,500k). In addition, the difference between CPI and RPI (the RPI-CPI wedge) has been updated, resulting in an increase of between 2% and 4% in the DBO (i.e. between c£1,800k and c£3,600k). These changes are linked, and are based on changes to pre-2030 and post-2030 rates.

Cost Management Process

Legislation requires HM Treasury (HMT) and the LGPS Scheme Advisory Board (SAB) to undertake periodic reviews to monitor the cost of the LGPS to ensure it remains sustainable and affordable. This is referred to as the 'Cost Management Process'.

HMT and the SAB paused their reviews following the 'McCloud' judgement in the Court of Appeal; these reviews have now been unpaused, and HMT directions are expected to be made over 2021 which will allow the Treasury and SAB reviews to proceed. It is unlikely the outcome of those reviews will be known in 2021, and no changes in benefits or member contributions are expected until 2024.

Due to the uncertainty over the outcome of those processes and the likely impact on the LGPS, the actuarial valuation for the year ended 31 July 2021 has not made any allowance for the potential cost of improving members' benefits under these reviews.

Defined contribution schemes

The Group operated three defined contribution schemes during the year. Employer contributions paid into these schemes during the year totalled £423,000 (2020: £426,000). Contributions payable to the Group's defined contribution pension schemes are charged to profit or loss in the period to which they relate.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

21 OTHER PROVISIONS

| Consolidated | Enhanced pension | Redundancy | Deferred tax | Other | Total |
|---|-----------------------------|-------------------|-------------------------|--------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 August 2020 | 417 | 32 | 62 | 100 | 611 |
| Additions | 7 | 131 | - | - | 138 |
| Utilised in the year | (35) | (23) | - | - | (58) |
| Interest charged on provision (note 10) | 5 | - | - | - | 5 |
| | ----- | ----- | ----- | ----- | ----- |
| At 31 July 2021 | 394 | 140 | 62 | 100 | 696 |
| | ----- | ----- | ----- | ----- | ----- |

| College | Enhanced pension | Redundancy | Other | Total |
|---|-----------------------------|-------------------|--------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| At 1 August 2020 | 417 | 32 | 100 | 549 |
| Additions | 7 | 131 | - | 138 |
| Utilised in the year | (35) | (23) | - | (58) |
| Interest charged on provision (note 10) | 5 | - | - | 5 |
| | ----- | ----- | ----- | ----- |
| At 31 July 2021 | 394 | 140 | 100 | 634 |
| | ----- | ----- | ----- | ----- |

The enhanced pension provision represents the actuarial assessment of the future costs of pension enhancements granted for early retirements in 1994 and 1996. The provision will be utilised over the lives of the individuals in receipt of enhanced pensions.

The redundancy provision represents the payments to be made to individuals following the voluntary redundancy exercises.

Other provisions at 31 July 2021 include an estimate of potential future repayment of grant funding.

22 CAPITAL COMMITMENTS

The College had £1,428,000 of contractual capital commitments at 31 July 2021 (2020: £nil).

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

23 RELATED PARTY TRANSACTIONS

Group

During the year the group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 July 2021, are as follows:

Transactions with companies under common control:

| | Net value of supply in year £'000 | Balance owed at end of year £'000 |
|--|--|--|
| Sales of goods and services to related parties | | |
| 2021 | 36 | |
| 2020 | 52 | - |
| Purchases of goods and services from related parties | | |
| 2021 | 1,711 | 81 |
| 2020 | 1,751 | 132 |

College

The College has taken advantage of the exemption conferred by FRS 102 not to disclose transactions with its wholly owned subsidiary companies.

Due to the nature of the College's operations and 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 organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions, other than those disclosed in the financial statements, were identified which should be disclosed under FRS 102.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

24 AGENCY RECEIPTS AND PAYMENTS

Financial contingency funds

| | 2021 | 2020 |
|---------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| At 1 August | | |
| Welsh Government grants plus interest | 733 | 663 |
| Disbursements | (644) | (606) |
| | ----- | ----- |
| At 31 July | 89 | 57 |
| | ===== | ===== |

Welsh Government financial contingency fund grants are available to support students who are suffering financial hardship and otherwise would not have been able to undertake courses at the College. Grants can be made to provide for meals, travel costs, equipment, fees and childcare, and payments can either be made to cover the full costs incurred or on an agreed sliding scale.

The funds received were administered in accordance with the terms and conditions specified, the unused balances of the grants being invested in a separate interest-bearing bank account that is not included in the College's balance sheet.

Unused funds shown above will be carried forward for disbursement in the forthcoming year, as permitted by the scheme regulations.

Young Recruits Programme

During the year the College participated in the Welsh Government's Young Recruits Programme (YRP), an initiative which aimed to incentivise employers to recruit additional apprentices (aged 16-24) by providing a wage subsidy. The initiative is no longer open to new participants, and any grant money drawn down by the College and not claimed by the employer will be repaid to the Welsh Government. The total amount repaid to the Welsh Government in the year ended 31 July 2021 was £nil (2020: nil).

Apprenticeship Employer Incentive Programme

| | 2021 | 2020 |
|--------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Balance at 1 August | 7 | - |
| Gross programme funding received | 244 | 85 |
| Incentive payments made to employers | (251) | (78) |
| | ----- | ----- |
| Balance at 31 July | - | 7 |
| | ===== | ===== |

The Welsh Government's Apprenticeship Employer Incentive Programme commenced on 1st August 2017 and aims to provide support for SMEs to recruit apprentices aged 16-19. Payments of £3,500 per learner are made for apprentices recruited from July-September and payments of £2,500 for apprentices recruited at any other time of the year. The College draws the funding down in full from Welsh Government when an apprentice has been employed for eight months, and passes funds to the employer when received.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

NOTES TO THE FINANCIAL STATEMENTS

25 RESTRICTED RESERVE

The restricted reserve of £1,525,000 (2020: £1,525,000) represents the accumulated income and expenditure reserve of the Vale of Glamorgan Training Association (VGTA) on merger with Barry College on 31 July 2010. A condition of the merger, as set out in the transfer deed, is that the assets of the VGTA, including the reserves transferred to the College, will be used exclusively for the charitable objective of the VGTA – *to advance the vocational preparation and training and the education of young people and adults.*