CARDIFF AND VALE COLLEGE

CONSOLIDATED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

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REPORT OF THE GOVERNING BODY

The Governing Body presents its annual report and the financial statements of Cardiff and Vale College ("the College") for the year ended 31 July 2018.

Legal status

On the 8 April 2011 the Cardiff and Vale College (Incorporation) Order 2011 came into force establishing the new College.

On 1 August 2011 the Barry College Further Education Corporation and the Coleg Glan Hafren Further Education Corporation (Dissolution) Order 2011 came into force. This order dissolved both Corporations and transferred all of their properties, rights and liabilities to the new college.

Vision

To be a leading educational business.

Mission

To deliver high quality education and training, outstanding results, skilled and employable people, excellent customer experience, innovative business growth and continued investment that supports prosperous communities and a thriving economy.

Values

Inspirational. Inclusive. Influential.

Public benefit

The College is an exempt charity and is regulated by the Welsh Government as Principal Regulator for all FE Corporations in Wales. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 17 to 18. 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 development plan that sets out its Vision and Strategic Priorities. Under each strategic priority are a number of specific focuses for performance improvement and delivery:

- **Quality** – striving for excellent results and outcomes
    - Learner wellbeing
    - Teaching, learning and assessment
    - Learner progression
    - Quality improvement
    - Continuous professional development
    - Equality and diversity
    - Staff wellbeing

- **Efficiency** – ensuring the College is efficient and sustainable
    - Leadership and management
    - Accommodation and environmental strategy
    - Partnership and collaboration
    - Financial stability and investment
    - Value for money and cost effectiveness
    - Risk management

- **Growth** – developing our business to invest in our community
    - Employer engagement, enterprise and innovation
    - Social engagement
    - Higher education
    - Welsh-medium provision
    - Junior Apprenticeship programme
    - 14-16 learning pathways provision
    - 16-19 provision
    - Work-based learning
    - Diversification of Income

The Governing Body monitored the performance of the College against this plan which has now been reviewed and updated and established as a three-year corporate development plan.

Learner numbers

In 2017/18 the College provided opportunities for 19,426 learners, including:

- 5,371 learners on full-time courses
- 526 learners on higher education courses
- 185 school pupils aged 14-19 on part-time learning pathways
- 3,646 apprenticeship programmes
- 6,758 adults studying on a part-time basis
- 2,940 learners studying through franchise arrangements in the community

2017/18 – the College's performance

During the year the College continued to improve the success rates of learners, building on the "double good" assessment for both current performance and prospects for improvement received in in the Estyn inspection of March 2015.

- The overall success rate of all enrolments at CAVC is at its highest level since 2011/12 and is now above the National Comparator at 91%.
- The success rates of underrepresented groups and those in receipt of EMA or FSM is above 90%.
- Attainment rates have also continued to rise to 95%, with an overall 5% increase since 2013/14.
- Successful completion has risen to 96%, an improvement of 1% compared to 2016/17.
- 77% of Junior Apprentice learners achieved A-G grades in English, Maths and Numeracy. The 23% who did not achieve were actively engaged in Maths, Numeracy and English sessions throughout the year.
- Higher education has grown by 7% and met both financial and enrolment targets. Overall satisfaction on HE courses increased by 10%. Internal progression increased from 25% to 36%.
- There is a strong attendance record across the college with an overall college annual attendance rate in 2017-18 of 90%
- Learner Voice satisfaction has improved in many areas over the last three years, in particular questions relating to teaching and learning are regularly over 95%.
- In work-based learning, the College-led Quality Skills Alliance is projecting success rates of 80% for Foundation Apprenticeships, 84% for Apprenticeships and 76% for Higher Apprenticeships.
- 89% of learners had a positive progression onto university, further learning or employment.

Learner achievements

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

- Tom Lewis, an electrical installation apprentice, was selected for Team UK at EuroSkills Budapest. Tom and his twin brother Connor, also an electrical installation apprentice, will travel to Russia for the WorldSkills finals in 2019. Connor won bronze in the WorldSkills UK finals;
- The College is sending more learners to the WorldSkills UK finals in 2018 than any other Welsh college. Twelve students from a wide range of departments, including auto body repair, IT and customer services will be taking part;
- Hospitality Alex James and Amy Hoskins travelled to India to represent Wales in the International Young Chef Olympiad;
- Anthony Cox won gold in Inclusive Skills Personal Trainer contest at ALN World Skills competition;
- Henry Deane and Oscar Green won gold and silver respectively in Skills Competition Wales Auto Body and Paint finals;
- The College entered the WorldSkills Visual Merchandising contest for the first time, with Hannah Needs winning gold;
- James Ackland won bronze for Wall and Floor Tiling in the WorldSkills UK finals;
- Camilla Dima won gold in Skills Competition Wales Advanced Face and handy Beauty final. Soraia Sequira Gomes Rabaol won silver;
- Sharna Byrne, Daisy Dimond and Makenzi Webber won silver in an Inclusive Skills Wales Media competition;
- Dion Mullins won silver in Skills Competition Wales Hairdressing;
- A Level student Michael Bonney was shortlisted for a UK-wide British Education Award;
- Project SEARCH intern Jade Smith – one of a cohort of interns with Additional Learning Needs that the College places with Cardiff University – was employed full time by the University;
- Level 3 Health and Social Care learner Whitney Phillips won BTEC Learner of the Year;
- Caroline Turner and Annette Howell won Best CIPD Student Awards;
- Level 3 IT student Ellie Perkins made it through the entry rounds of the Microsoft Specialist Four Nations Championships and will represent Wales in the next stage;
- Students studying for a foundation degree in Film came third in the NAMSS Film Competition 2018, with a film based on the theme 'Why is voting important?'.
- Level 2 Bricklaying student Sam Ashdown came second in a competition organised by Persimmon Homes and was interviewed for a possible apprenticeship;
- Four learners won CILEx Student of the Year awards – Martyn Crowley and Marysia Gayle for level 3 and Katy Evans and Stacey McGrinder for Level 6;

Learner achievements (continued)

- Two junior apprentices – Macey and Nia – got through to the second round of the Association of Hairdressers and Therapists;

- Mateusz Kolacki and Kyle Woodward won gold and silver respectively in WorldSkills Cyber Security; Morgan Whithear and Tomek Pawelek won gold and silver respectively in WorldSkills IT Technician; Melvin Saji won gold in WorldSkills Networking Systems Administrator; Fatoumata Makalo won bronze in WorldSkills IT Software Solutions for Business;

- Two learners successfully gained places at 'Go Compare' in their Academy to have a fully funded degree programme and full time employment.

Curriculum and other developments and achievements

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

- The Project Search Internship, which is proving highly successful. 75 learners per year are engaged in work placement over Cardiff University, Subway, Simply Fresh , Bae Coffi and venue hire in CF10 retail at CAVC. This real life programme develops the skills this disadvantaged group will need to become skilled and employable people.

- The College has made significant investment in technology-enhanced learning (TEL), with staff supported by Digital Leaders and good practice shared during TeachMeets, CPD days and during a TEL festival, 'Let's Get Phygital' in May 2018.

- Working with the Welsh Government, the College has set up an ESOL testing and placement centre – REACH, to meet the growing needs for ESOL education in the region; this has had an extremely positive impact by reducing the waiting list across Cardiff from 500 learners to none.

- The College has worked in partnership with Velindre and Public Health Wales to develop a course to address the issue of the late detection of cancer. This late detection disproportionately affects the non-English speaking black and minority ethnic community, due to both a lack of awareness around available NHS services and a lack of conversation in those communities about signs and symptoms that may indicate other underlying health conditions.

- In 2017/18 the College became the first Further Education provider in Wales to achieve the Matrix Award; this Award recognises the quality of careers information, advice and guidance practices across the College.

- In 2017/18 the College was awarded the Investors in People silver accreditation.

- The College has opened post-16 provision at Eastern Community Campus and is currently delivering a joint sixth form provision at the newly created creative partnership with Cardiff West Community School (a community school developed from the merger of two of the worst performing schools in Wales). These developments are part of CAVC's commitment to transform communities, improve social mobility and develop employable and skilled learners from the most challenging and diverse backgrounds in Cardiff and the Vale of Glamorgan.

- In 2017/18, the college continued its participation in the Welsh Government's Skills Priorities Programme (SPP), a project focussed on higher-level skills development of staff. The project has had a direct impact on current and future FE learners, with 62 staff participating in CPD activities in the year to support future delivery of higher level courses and qualifications.

Partnerships

The College is committed to supporting employers and communities across Cardiff and the Vale. These initiatives have continued during the last year in the following areas:

- The College has developed very strong partnerships with large and small employers and most learners undertake work experience and or work related education. A number of organisations including; Wales Millennium Centre, Cardiff and Vale of Glamorgan Local Health Boards, Cardiff Council, BBC, Principality, Bentleys, Deloittes, Admiral and Lloyds deliver workshops or offer internships for learners to improve their skills and awareness of industry related work tailored to their career aspirations.

- The College works closely with the Local Authorities and the Education Achievement Service, sharing CPD activities for teaching and hosting the Seren Project, a specific scheme for more able and talented learners.

- The College has also developed further very effective partnerships with the Welsh Rugby Union; Cardiff City; Cardiff Blues and the Military Preparation Training College, to offer different opportunities for stimulating and challenging learning in our community. The College started its first Combined Cadet Force in September 2018, offering additional opportunities for young people to develop leadership and behavioural management skills.

- In 2017/18 the College launched a training programme for all Welsh Rugby Union Athletes at all levels, organised by the Welsh Rugby Players Association which has influenced the new tutorial framework.

- Other College-funded partnerships include third sector organisations such as Vision 21; the Ministry of Life and the Media Academy Cardiff.

- The College also works closely with the Prince’s Trust; the Cardiff Outdoor Education Team; the St. Giles’ Trust; Tenovus and the Communities First teams across Cardiff and the Vale of Glamorgan to provide bespoke courses for the ‘hardest-to-reach’ and most disadvantaged learners.

- A number of inward investments have been secured through the College’s commitment to targeted employers, for example Aston Martin and more recently Channel Four.

- The College’s sector specific Employer Advisory Boards – based around our nine key priority sectors - 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, the Roald Dahl festival, live music events in the City, the BBC Introduces Music programme.

Principal risks and uncertainties

As part of the strategic planning process the Executive Team undertakes a comprehensive review of the risks that might impact on the achievement of the College's strategic aims and 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. Risks are prioritised using a consistent scoring system.

The Operational Executive Team consider risk management issues as part of each meeting and undertake 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. Other factors besides those listed below may also adversely affect the College.

Since 2011/12 the FE sector's funding has increased by less than 1%, whilst pay costs alone have increased by over 12.5%. The increase in funding for 2018/19 of 1% represents a further real terms cut in funding when compared to the cost of pay awards and inflation increases on non pay costs.

As well as inflationary increases to staff and other costs, the College is anticipating a significant cost increase in the forthcoming year relating to the Teachers' Pension Scheme, following the recent valuation of the scheme by the Department of Education. A recent announcement by HM Treasury in relation to this valuation is likely to result in a significant increase to employers' contribution rates, which would take effect from April 2019. The revised contribution rate will not be confirmed until the valuation exercise has been completed, but initial estimates by sector analysts are predicting a rate of over 23%. This would result in the College incurring additional unfunded costs of around £0.7million per year. Without additional funding, this would severely impact the College's financial position and will require further changes to our underlying business model in order to enable provision and jobs to be protected in the future.

Brexit continues to give rise to significant 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 perhaps future restrictions on overseas students – an area in which the College has been able to grow.

The College has established three priorities to mitigate the risk of reductions in Government funding:

- **Quality** – by ensuring our provision is of the highest quality the College will continue to attract learners and funding;

- **Efficiency** – by identifying innovation in processes and procedures and doing more for less the College will be able to ensure scarce resources are directed towards learner outcomes; and.

- **Growth** – by identifying opportunities for growing the business through income generation or closer collaboration with partners, the College will be able to support core activity and hence protect provision and protect jobs; and

Principal risks and uncertainties (continued)

In the light of the size of the funding pressures and cost increases we are facing, the strategic focus on growth will be crucial to the level of protection we can provide for both provision and jobs.

To mitigate the impact of the above funding pressures the College has invested in establishing a commercial development strategy supported by a strong team with the necessary skills and experience to deliver the step change in commercial income necessary to safeguard our ability to deliver the range of courses required by our communities during this period of ongoing funding reductions. During 2017/18 this team further developed a range of opportunities from overseas activities, new contracts, and partnerships that have already begun to deliver a return on that investment.

The College has also continued to recruit strongly to its core FE programmes, delivering consistently in excess of our funding targets and this has led to an additional £1million of funding being made available in the last two years. The Welsh Government is currently reviewing its approach to funding for demographic growth and the College is hopeful this may result in additional funding in the future.

In addition to organic growth, the College has continued its strategy of improving resilience through acquisition. Following the successful acquisition of the ACT group in 2016/17, work based learning provider Apprenticeship Learning Solutions Limited (ALS), was acquired in January 2018. The acquisition of ALS, which specialises in higher level training and apprenticeships, further strengthens the CAVC group's position as the leading provider of apprentices in Wales, and further reduces its reliance on its core FE funding grant. In the year ended 31 July 2018 core FE funding represented only 33% (2017 – 38%) of the College's total income for the year.

It is recognised that there is a risk in investing in new markets and opportunities and 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.

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 change significantly as a result of the implementation of the Estate Strategy. The net book value of the freehold land and buildings at 31 July 2018 was £62.3million, compared to £54.4million in 2017.

Financial

At 31 July 2018, the Group had net assets of £18.1million (2017 - £18.2million) including a pension liability of £14.0million (2017 - £14.8million)

People

During the year the Group employed an average of 1,179 staff (2017 – 840) (expressed as full time equivalents), of whom 612 (2017 – 521) worked directly within teaching departments.

The group's resources (continued)

Reputation

The College and the ACT Group 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 2018 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.

Reserves

As part of this financial strategy the College had deliberately built up its reserves to enable it to fund its capital development programme and provide a financial reserve. In the last two years the College has invested these reserves in those capital developments and to fund the acquisition of the ACT Group.

Accordingly, at 31 July 2018, the College has a lower level of reserves than in previous years, £3.7million (2017 - £4.9million) of "cash-backed reserves" (as identified by the Welsh Government) 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 £3.7million comprise a restricted reserve of £1.5million (2017 - £1.5million), and £2.2million (2017 - £3.4million) set aside to provide a financial reserve. The College's financial strategy includes the object to increase that reserve over the next few years to provide funds for future development in our Barry and Vale campuses.

Financial results

In the context of significant financial pressures, the College is pleased to report an increase in both group turnover and EBITDA compared to the prior year – turnover for the year was £85million (2017 - £72million) and EBITDA was £4.9million (2017 - £4.7million). These increases were achieved partly through the acquisition of Apprenticeship Learning Solutions, and partly by efficiency measures and identification of further opportunities for organic growth.

During 2017/18 the College once again had to offset a "budget challenge" of around £0.7m arising from the gap between the increase in funding and the increases in salaries, pension and NI costs, the apprentice levy and inflationary costs on our non-pay expenditure. As noted above, since 2011/12 the sector has had to address a reduction in funding in real terms in excess of 12.5%

The result for the year was also impacted by difficulties experienced in the English apprenticeship market and consequent delays in the growth of this area of the business. The difficulties were largely

Financial results (continued)

due to issues experienced by two prime contract providers, Learndirect and Talent Training, which resulted in the cessation of ESFA funding for both providers. These issues severely disrupted our activity, jeopardising completion of apprenticeships and placing at risk the funding owed for training already provided.

The College made the decision to continue to support the affected learners for the remainder of their apprenticeships, despite ongoing uncertainty over availability of funding; this meant that activity worth approximately £0.7m was delivered in the year for which income was not recognised in the accounts due to uncertainty over recoverability.

Subsidiary companies ACT and ALS have performed well since their acquisition by the College. 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.

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 deficit for the year includes non-cash costs of £1.3million (2017 - £1.8million) arising as a result of accounting for the LGPS in accordance with FRS 102. The LGPS pension provision recognised on the balance sheet has reduced in the year by £0.8million to £14m (2017 - £14.8m).

In considering the impact of these accounting requirements on the College's financial position it should be noted that pension liabilities are, by their nature, long term obligations and that in meeting these obligations the College makes the level of employer contributions to the pension scheme recommended by an independent qualified actuary.

Treasury 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 Estate committee, and all borrowing requires the approval of the Governing Body.

During the year the College repaid the loan with Lloyds Bank to consolidate its debt with a single lender, Santander. Prior to entering into the loan agreements with Santander the Governing Body took independent advice that considered the College's ability to repay the loans by reference to a range of sensitivity assessments. 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.

Treasury management (continued)

The loan agreement 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, Estates, Commercial and HR sub-committee of the Governing Body. At the year end the College was well within these covenants with significant headroom.

Cash flows and liquidity

The Group's cash balance at 31 July 2018 was £6.1million (2017 - £5.8million).

During the year ACT invested £0.3m in relation to the acquisition of Apprenticeship Learning Solutions Limited, funded from ACT's own cash reserves.

The College also paid a further £1.3million of contingent consideration in relation to the acquisition of the ACT Group, based on ACT's performance targets set at the time of its acquisition. These additional payments were fully funded from profits generated by the ACT Group.

The Group's net current assets have decreased to £1.9million (2017 - £4.1million). This is mainly due to the cash outlay on the acquisition of ALS, along with several significant, one-off creditors which fall due in the next year, and thus are now included within net current assets.

Acquisition of Apprenticeship Learning Solutions (ALS) Limited

On 17 January 2018, 100% of the share capital of Acorn Learning Solutions Limited (ALS) was acquired by Associated Community Training Limited (ACT). ALS's registered company name was subsequently changed to Apprenticeship Learning Solutions Limited on 12 April 2018.

The main business of Apprenticeship Learning Solutions Limited is the delivery of apprenticeships and skills training solutions. The acquisition of ALS, which delivers high quality apprenticeships in priority sectors, was a strategic decision to further strengthen the ability of the CAVC group to support the growth in skills required by employers to deliver the ambitions of the City Deal for the region.

The move for ALS from being a wholly-owned subsidiary of a recruitment business to a wholly owned subsidiary of an education and training business brought with it significant opportunities and scope for efficiency savings and quality improvement.

Further information on the acquisition is contained in note 14 to the financial statements. The cost of investment was £1,239,000, consisting of professional fees, a cash element paid at the date of acquisition, and a contingent element which will be payable in the future only if ALS achieves agreed performance targets.

Income of £3,682,000 and surplus before tax of £475,000 was generated by Apprenticeship Learning Solutions Limited in the period from acquisition to 31 July 2018.

Capital developments

During the year the College made further progress in the implementation of its ambitious estate strategy that required an investment of some £98million in the ten-year period from 2011 to 2021, with the following key developments taking place:

- In collaboration with Cardiff Council:
    - The new Eastern Community Campus, which is part-owned by the College, was completed in December 2017. The campus opened in January 2018, and the College is delivering a variety of courses and vocational training to learners in the campus's including sixth form; and
    - Construction of the new Cardiff West Community High School is progressing with completion set for February 2019. The College will deliver vocational training in the new sixth form centre as part of the College's partnership with Cardiff Council.
- Further improvements at Cardiff International Sports Campus were started during the year with the installation of a new 'desso' central pitch and new athletics track surface. These improvements bring the total joint investment in the campus at Leckwith to almost £4m in the last three years, co-funded by the College, Cardiff Council and House of Sport. This investment safeguards the sports facilities for schools, local communities and international athletes alike, whilst providing a centre of excellence for our sports students and academies.
- The College continued to develop plans to replace the ageing accommodation in the Vale of Glamorgan as part of the Welsh Government's 21st Century Schools and Colleges capital Band B programme. We are working with partners to finalise plans for two new campuses – a general further education campus in Barry, and an advanced manufacturing centre to be situated close to Cardiff Airport.
- In September 2017 the College occupied two floors of the newly-built One Canal Parade, next to its City Centre Campus. This provided additional accommodation for our commercial business services to employers and allowed for expansion in the main campus building for the College's growing Higher Education provision. In August 2018 the College acquired the freehold of the property, which facilitated the transfer of ESOL provision to enable our ESOL learners to move into high quality teaching accommodation and benefit from all of the facilities in the main campus. Financially, this moved money from inefficient repairs and maintenance of an old building to investment in that new accommodation.

Payment performance

Creditor payment days, calculated as defined in the Accounts Direction, is based on the year-end creditor figure and at 31 July 2018 was 44 days (2017 – 32 days). During the current financial year no interest charges were paid under The Late Payment of Commercial Debts (Interest) Act.

Welsh language and Welsh medium/bilingual provision

Cardiff and Vale College/ Coleg Caerdydd a'r Fro complies with and promotes the Welsh language across all areas of its business. It meets the Welsh Language Standards - treating the Welsh language no less favourably than the English language wherever possible; promoting use of the language across its work; and enabling individuals to lead their lives in the language of their choice.

Cardiff and Vale College 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/ bilingual provision and opportunities is increasing the number of individuals continuing to develop their Welsh language skills and 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 Internet site and its Strategic Equality Action Plan on its external website.

During the year the College was placed by The National Centre for Diversity in their top 100 index in respect of its commitment to equality, diversity and inclusivity. The College was also successful in its bid to become College of the Year for its approach to equality and diversity.

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.

Employment of disabled persons

The College considers all applications from disabled persons, 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 equalities plan is published each year and monitored by managers and governors.

Sustainability

The College has signed up to the Welsh Government's Sustainability Charter to demonstrate our commitment to promoting and delivering wellbeing through our decisions and operations by:

- ensuring that all decisions promote long term, sustainable wellbeing of people (including employees) and communities, and do not promote short term fixes that will continue to lock us into unsustainable patterns and lifestyles;

- ensuring that all decisions take full account of, and where possible fully integrate, the various social, economic and environmental outcomes that are being sought; and

- engaging with, and involving, the people and communities that will be affected by these decisions, so that working in partnership for sustainable development becomes part and parcel of the way we work.

This is consistent with the obligations on the College to embed Education for Sustainable Development and Global Citizenship (ESDGC) within the curriculum and the College's activities.

The College has an environmental policy and energy and water management plan and is currently working towards securing Green Dragon Level 3 accreditation having inherited separate Level 3 and Level 4 accreditation previously awarded to the legacy Colleges.

The new City Centre Campus was a development on a brownfield site and was designed to achieve BREEAM "excellent". Amongst its many advanced sustainability features it has one of the largest photovoltaic cell installations on its roof and a CHP unit to help reduce its impact on the environment, reduce consumption and associated energy costs. The College is currently working in partnership with Cardiff Council and others to explore the feasibility of the campus being part of the Cardiff "HEAT" network.

Future developments

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:

- the completion of our 10-year Estate Strategy with the focus now turning to West Cardiff and Barry and the Vale of Glamorgan. Plans are now in progress for the construction of two new campuses which will be built with financial support of the Welsh Government – a general further education campus in Barry, and an advanced manufacturing centre near Cardiff Airport.
- supporting adult learners who wish to retrain or develop existing skills at a higher level, following the Welsh Government's recent announcement that it is introducing a new funding stream - Skills Development Fund – which will fully fund training for adults in areas directly aligned with the needs of local employers.
- building on the acquisition of ACT and ALS, the further development of our work-based learning provision, enhancing the opportunities offered to learners, employers and communities.
- expanding our social engagement provision, through the Welsh Government's "Working Wales" programme.
- our work with Cardiff Council to support the development of Cardiff West Community High School, to meet the needs of those communities;
- providing support for and working with Cardiff Council, the Vale of Glamorgan Council and Adult Learning Wales to develop Adult Community Learning in both counties;
- 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 growth of our Higher Education provision;
- development of the support offered to more able and talented learners;
- the focus given to the key priorities of Quality, Efficiency and Growth.

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 accounts 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 Governing Body. The membership of this Committee is set out on page 17 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 Governing Body);
    - 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 Governing Body) are involved in the discussions of their remuneration.

Members of Cardiff and Vale College Further Education Corporation

The members who served the Cardiff and Vale College Further Education Corporation for the period from 1 August 2017 to the date of signing of the accounts were as follows:

Member	Appointment status	Date of appointment (A) / resignation (R)	Committees served
Mr G Evans Chair of Corporation	Governor		Chair of - R, S&G, FECHR , PTSG
Mr B Haines Vice Chair of Corporation	Governor		R, S&G, FECHR, PTSG
Dr M Davies	Governor		A (Chair)
Ms R Davies	Business Support Staff Governor	A – October 2017	FECHR,CQSA
Dr F Cowe	Governor		CQSA
Cllr B Penrose	Local Authority Governor - Vale		CQSA
Mr M James	Group Chief Executive		FECHR, CQSA
Cllr S Merry	Local Authority Governor - Cardiff		CQSA
Mr D Austin	Governor	A – May 2018	A
Mr D James	Governor	A – March 2018	FECHR
Ms V Compton	Governor	Change of status – October 2017	A
Mr I Morris	Governor		FECHR PTSG
Ms H Pudner	Governor	R – July 2018	CQSA
Mr D Reeves	Governor		FECHR, R, S&G, PTSG
Mr K Robinson	Academic Staff Governor		FECHR, CQSA,
Prof D Saunders	Governor		CQSA (Chair)
Mr R Thomas	Governor		FECHR
Mr T Hall	Student Governor	A – August 2017 R – December 2017	CQSA
Ms S Rizea	Student Governor	A – August 2017	CQSA

During the period the Governing Body had the following sub-committees:

- Finance, Estates, Commercial and HR (FECHR)
- Remuneration (R)
- Search and Governance (S&G)
- Curriculum, Quality and Student Affairs (CQSA)
- Audit (A)
- Project Tree Steering Group (PTSG)

In addition to the Governors listed above, Professor A Chapman served as an independent member of the Remuneration Committee throughout the year.

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

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		
	FEC&HR	**CQSA**	**Audit**
Ms D Merrick			√
Mr B Davies		√	√
Ms L Farrow			√
Ms V Compton (appointed November 2017*)			√

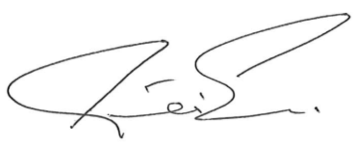
* In October 2017 Ms V Compton's status changed from full member of the Governing Body to co-opted member of the Audit Committee.

The following individuals served as Community Governors in the period from 1 August 2017 to the date of signing of the accounts.

Community Board Governor	Date of appointment (A) / resignation (R)
Ali Abdi	
Mohammed Alamgir	
Azza Ali	
Catherine Burton	
Heather Ferguson	
James Harper	A - November 2018
Roda Hussein	
Laurence Kahn	
Aliya Mohammed	
Shameem Nawaz	

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 GD Evans MBE
Chairman

Mr M James
Chief Executive

12 December 2018

STATEMENT OF THE GOVERNING BODY'S RESPONSIBILITIES

In accordance with the College's Instrument and Articles of Government, the Governing Body is responsible for the administration and management of the affairs of the College and the Group, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

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 enable it to ensure that the financial statements are prepared in accordance with the College's Articles of Government, the Statement of Recommended Practice - *Accounting for further and higher education* and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Welsh Government and the College's Governing Body, the Governing Body, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Governing Body has ensured that:

- suitable accounting policies were selected and applied consistently;
- judgements and estimates were made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume the College will continue in operation. The Governing Body is satisfied that Cardiff and Vale College has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Governing Body has taken reasonable steps to:

- ensure that funds from the Welsh Government are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Welsh Government and any other conditions which the Welsh Government may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and prevent and detect fraud; and
- secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;

- a comprehensive medium and short term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;

- regular reviews of key performance indicators and business risks, and termly reviews of financial results involving variance reporting and updates of forecast outturns;

- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governing Body;

- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance, Estates, Commercial & HR Committee; and

- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Governing Body and whose head provides the Governing Body with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Information held on the College's website

The Governing Body recognises its responsibility for the maintenance and integrity of the Cardiff and Vale College website when publishing the financial statements through this medium and notes that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Mr GD Evans MBE
Chairman

12 December 2018

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 issued by the London Stock Exchange in June 2010 in so far as they apply to the further education sector. Its purpose is to help the reader of the accounts 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 2018.

The Corporation

The composition of the Cardiff and Vale College Further Education Corporation during the year ended 31 July 2018 is set out on pages 17 to 18. 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 met each term.

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, Estates, Commercial and HR
- Curriculum, Quality and Student Affairs
- Remuneration
- Search and Governance
- Audit

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.

CORPORATE GOVERNANCE (continued)

The Corporation (continued)

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 Chairman and Chief Executive were separate.

Remuneration Committee

Throughout the year ended 31 July 2018, the Institution's remuneration committee comprised the members who are identified on page 17. The Committee's responsibilities were to make recommendations to the Board on the remuneration and benefits of the Chief Executive and other senior post-holders.

Details of senior post-holders' remuneration for the year ended 31 July 2018 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 pages 17 and 18 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 2018.

Audit Committee

The Audit Committee comprised one member of the Corporation (excluding the Chief Executive and Chair) and at least three co-opted members as identified on pages 17 and 18. The committee operated in accordance with written terms of reference approved by the Corporation.

The Audit Committee met on at least a termly basis 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.

The Institution'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.

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 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 Chief Executive is personally responsible, in accordance with the responsibilities assigned to the Chief Executive in the Financial Memorandum between Cardiff and Vale College and the Welsh Government. The 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 2018.

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 2018.

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 (continued)

Cardiff and Vale College employed 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.

Review of effectiveness

As Accounting Officer, the Chief Executive of Cardiff and Vale College has responsibility for reviewing the effectiveness of the system of internal control. The 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 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 performances 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.

At its meeting on 12 December 2018, the Corporation carried out the annual assessment for the year ended 31July 2018 by considering the Audit Committee's annual report, the internal audit annual report, the external audit management letter and supporting documentation from officers.

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 funding agreement in place between the Institution and the Welsh Government. As part of its consideration the Corporation has had due regard to the requirements of the funding agreement.

We confirm, on behalf of the Corporation that after due enquiry, and to the best of our knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the Institution, or material non-compliance with the Welsh Government's terms and conditions of funding under the Institution's funding agreement.

We confirm that no instances of material irregularity, impropriety or funding noncompliance 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 the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements.

Mr GD Evans MBE
Chairman

Mr M James
Chief Executive

12 December 2018

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

Report on the audit of the financial statements

Opinion

In our opinion, Cardiff and Vale College's group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and the parent institution's affairs as at 31 July 2018, and of the group's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been properly prepared in accordance with the Accounts Direction issued by the Welsh Government.

We have audited the financial statements, included within the Consolidated Annual Report and Financial Statements for the year ended 31 July 2018 (the "Annual Report"), which comprise the consolidated and College Balance Sheets as at 31 July 2018; the consolidated and College Statement of Comprehensive Income for the year then ended; the consolidated and College Statement of Changes in Reserves for the year then ended; the consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Governing Body is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Governing Body for the financial statements
As explained more fully in the Statement of the Governing Body's responsibilities set out on pages 19 and 20, the Governing body (who are also the directors of the institution for the purposes of company law) is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Governing Body is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Governing Body is responsible for assessing the group and parent institution's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing body either intends to liquidate the group and parent institution or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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

Other required reporting

Opinions on other matters prescribed in the Further Education Audit Code of Practice 2016 issued by the Welsh Government

In our opinion, in all material respects:

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

Kevin Williams (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
12 December 2018

CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 July 2018 Consolidated £'000	Year ended 31 July 2018 College £'000	Year ended 31 July 2017 Consolidated £'000	Year ended 31 July 2017 College £'000
Income					
Welsh Government Grants	2	70,577	38,662	58,454	37,174
Tuition fees and education contracts	3	5,703	4,604	5,052	4,389
Other income	4	9,123	7,399	8,840	7,694
Investment income	5	6	6	25	25
Gift aid income from subsidiaries	6	-	2,897	-	3,044
Total income		**85,409**	**53,568**	**72,371**	**52,326**
Expenditure					
Staff costs	7	42,282	29,744	36,028	28,796
Fundamental restructuring costs	9	136	136	531	521
Other operating expenses	10	38,345	19,322	32,139	19,060
Depreciation	13	3,640	3,315	3,372	3,119
Amortisation	12	1,314	-	929	-
Interest and other finance costs	11	2,036	2,016	1,816	1,786
Total expenditure		**87,753**	**54,533**	**74,815**	**53,282**
Deficit before other gains and losses		**(2,344)**	**(965)**	**(2,444)**	**(956)**
Gain on disposal of fixed assets		-	-	6	-
Deficit before tax		**(2,344)**	**(965)**	**(2,438)**	**(956)**
Taxation credit		81	-	-	-
Deficit for the year		**(2,263)**	**(965)**	**(2,438)**	**(956)**
Actuarial gain in respect of pension schemes	21	2,150	2,150	6,550	6,550
Total comprehensive (expense)/ income for the year		**(113)**	**1,185**	**4,112**	**5,594**

All items of income and expenditure relate to unrestricted income. The notes on pages 33 to 62 form part of these financial statements.

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES

	Income and expenditure reserve		Revaluation reserve	Total reserves
	Restricted (see note 26)	Unrestricted		
	£'000	£'000	£'000	£'000
<u>Group</u>				
Balance as at 31 July 2017	**1,525**	**6,611**	**10,032**	**18,168**
Deficit for the year	-	(2,263)	-	(2,263)
Other comprehensive income	-	2,150	-	2,150
Total comprehensive income for the year	-	(113)	-	(113)
Transfers between income and expenditure and revaluation reserve	-	134	(134)	-
Balance as at 31 July 2018	**1,525**	**6,632**	**9,898**	**18,055**
<u>College</u>				
Balance as at 31 July 2017	**1,525**	**8,143**	**10,032**	**19,700**
Deficit for the year	-	(965)	-	(965)
Other comprehensive income	-	2,150	-	2,150
Total comprehensive income for the year	-	1,185	-	1,185
Transfers between income and expenditure and revaluation reserve	-	134	(134)	-
Balance as at 31 July 2018	**1,525**	**9,462**	**9,898**	**20,885**

CONSOLIDATED AND COLLEGE BALANCE SHEETS

	Note	As at 31 July 2018 Consolidated £'000	As at 31 July 2018 College £'000	As at 31 July 2017 Consolidated £'000	As at 31 July 2017 College £'000
Fixed assets					
Intangible assets and goodwill	12	11,112	-	11,459	-
Tangible assets	13	68,703	67,391	61,104	59,761
Other long-term assets		-	-	7,561	7,561
Investments	14	-	15,712	-	15,538
		79,815	**83,103**	**80,124**	**82,860**
Current assets					
Stock		50	-	52	-
Trade and other receivables	15	11,694	7,464	11,419	8,222
Cash and cash equivalents		6,114	5,717	5,772	4,896
		17,858	13,181	17,243	13,118
Creditors - amounts falling due within one year	16	(15,953)	(12,798)	(13,163)	(11,322)
Net current assets		**1,905**	**383**	**4,080**	**1,796**
Total assets less current liabilities		**81,720**	**83,486**	**84,204**	**84,656**
Creditors - amounts falling due after more than one year	17	(48,141)	(48,135)	(49,302)	(49,280)
Provisions					
Pension provisions	21	(13,970)	(13,970)	(14,820)	(14,820)
Other provisions	22	(1,554)	(496)	(1,914)	(856)
Total net assets		**18,055**	**20,885**	**18,168**	**19,700**
Restricted reserves					
Income and expenditure reserve – restricted	26	1,525	1,525	1,525	1,525
Unrestricted reserves					
Income and expenditure reserve - unrestricted		6,632	9,462	6,611	8,143
Revaluation reserve		9,898	9,898	10,032	10,032
Total reserves		**18,055**	**20,885**	**18,168**	**19,700**

The financial statements were approved by the members of the Cardiff and Vale Further Education Corporation on 12 December 2018 and were signed on its behalf by:

Mr G D Evans MBE	Mr M James	Mr M C Roberts
Chair	Chief Executive	Chief Operating Officer

The notes on pages 33 to 62 form part of these accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Cash flow from operating activities		
Deficit for the year	(2,263)	(2,438)
Adjustment for non-cash items		
Depreciation and amortisation	4,956	4,301
Amortisation of capital grants	(787)	(746)
Decrease/ (Increase) in stock	2	(11)
Decrease/ (Increase) in debtors	290	(2,005)
(Decrease)/ Increase in provisions	(360)	168
Increase in creditors	1,552	2,279
Pension costs less contributions payable	940	1,300
Adjustment for investing or financing activities		
Pension finance cost	360	450
Investment income	(6)	(25)
Interest payable	1,676	1,366
Gain on disposal of fixed assets	-	(6)
Net cash inflow from operating activities	**6,360**	**4,633**
Cash flows from investing activities		
Proceeds from sales of fixed assets	-	22
Investment income	6	25
Payments made to acquire fixed assets	(3,665)	(3,289)
Acquisition of subsidiary undertakings (see note 14)	(1,654)	(11,171)
Capital grants received	-	887
	(5,313)	**(13,526)**
Cash flows from financing activities		
Interest paid	(1,634)	(1,317)
Interest element of finance lease rental payment	(42)	(49)
New loans secured	3,500	10,000
Repayments of amounts borrowed	(1,918)	(1,338)
Capital element of finance lease rental payment	(611)	(499)
	(705)	**6,797**
Increase/ (decrease) in cash and cash equivalents in the year	**342**	**(2,096)**
Cash and cash equivalents at beginning of the year	5,772	7,868
Cash and cash equivalents at end of the year	6,114	5,772

The notes on pages 33 to 62 form part of these accounts.

1 STATEMENT OF ACCOUNTING POLICIES

Period of account

These accounts have been prepared for the year from 1 August 2017 to 31 July 2018.

Basis of preparation

These financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, with the 2015 Statement of Recommended Practice – *Accounting for Further and Higher Education* ("the SORP") and with the Accounts Direction 2017/18 issued by the Welsh Government. 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 are set out below.

The College has opted for an early adoption of the FRS 102 changes published in December 2017 applicable for periods commencing on or after 1 January 2019.

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 and accompanying notes.

The deficit for the year ended 31 July 2018 of £2,263,000 (2017 – £2,438,000) included a £1,300,000 non-cash charge relating to the defined benefit scheme (see note 21), and £1,300,000 of goodwill amortisation in relation to the investment in ACT and ALS (see note 12), as well as a number of other non-recurring costs. Accordingly, the deficit for the year is not expected to adversely affect the College's future performance. The College's forecasts and financial projections (including cash flows) indicate it has sufficient resources to be able to operate for the foreseeable future.

In light of the above factors, the financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries ICAT Limited, CF10 Retail Limited, Element Skills Training Limited, Associated Community Training Limited, Apprenticeship Learning Solutions Limited, ACT (Holdings) Limited, ACT Enhance Limited, Learn About (Wales) 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 their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving or defective stock.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances at the bank and in hand.

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 2015 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&VPF) 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.

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.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Post-employment benefits (continued)

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.

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.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Non-current assets - tangible fixed assets (continued)

Freehold buildings are depreciated on a straight line basis to their 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

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. In addition, groups of items that individually cost less than £1,000, 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

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.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

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

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.

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.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

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 have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the 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.

Other key sources of estimation uncertainty are as follows:

Tangible fixed assets

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

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. 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.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

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

Impairment of debtors

The College makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of the debtors, historical experience and the financial circumstances of the counterparty. See note 15 for the net carrying amount of debtors.

Fair value of intangible assets acquired

The fair value of tangible and intangible assets acquired on the acquisition of ACT (Holdings) Limited (see note 14 for further details) involved the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. In addition, the estimation of the contingent consideration payable required estimation of the level of profitability of the business acquired. The use of discount rates and determination of the useful life of the intangible asset also requires judgement.

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 accounts 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.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

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 25.

2 WELSH GOVERNMENT GRANTS

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Recurrent grant	28,113	28,113	27,673	27,673
Work Based Learning grant	36,805	7,434	26,152	6,261
Other Welsh Government grants	4,872	2,328	3,883	2,494
Amortisation of capital grant	787	787	746	746
	70,577	**38,662**	**58,454**	**37,174**

3 TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Tuition fees and charges				
UK and EU – Further Education	376	376	847	847
UK and EU – Higher Education	1,807	1,807	1,641	1,641
Non EU – Further Education	953	953	692	692
	3,136	**3,136**	**3,180**	**3,180**
Education contracts				
14-19 Learning Pathways	1,254	155	847	184
Other education contracts – UK and EU	1,313	1,313	1,025	1,025
	2,567	**1,468**	**1,872**	**1,209**
	5,703	**4,604**	**5,052**	**4,389**

4 OTHER INCOME

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Residencies, catering and conferences	577	497	547	484
Other income-generating activities	6,753	5,373	6,667	5,584
Other grant income	626	626	562	562
Other income	1,167	903	1,064	1,064
	9,123	**7,399**	**8,840**	**7,694**

5 INVESTMENT INCOME

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Other interest received	**6**	**6**	**25**	**25**

6 GIFT AID INCOME FROM SUBSIDIARIES

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
From ICAT Limited	-	-	-	5
From South East Wales City Region ATA Limited	-	-	-	3
From Element Skills Training Limited	-	-	-	23
From Associated Community Training Limited	-	2,443	-	3,013
From Apprenticeship Learning Solutions Limited	-	454	-	-
	-	**2,897**	**-**	**3,044**

7 STAFF COSTS

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Teaching and learning departments	24,158	19,908	23,393	19,580
Teaching and learning support services	3,025	1,938	1,914	1,914
Other support services	928	780	1,207	892
Administration and central services	8,018	3,856	5,469	3,492
Premises	1,191	962	1,031	781
Other income-generating activities	4,977	2,315	3,024	2,147
Enhanced pension (credit)/charge (see note 22)	(15)	(15)	(10)	(10)
	42,282	**29,744**	**36,028**	**28,796**

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Wages and salaries	34,386	23,212	28,880	22,377
Social security costs	3,182	2,192	2,522	1,962
Pension costs (see note 21)	4,694	4,320	4,661	4,492
Increase/ (decrease) in holiday pay accrual	20	20	(35)	(35)
	42,282	**29,744**	**36,028**	**28,796**

The average monthly number of persons (including senior post-holders) employed by the College during the year, expressed as full time equivalents, was:

	2018		2017	
	Consolidated	College	Consolidated	College
	No.	No.	No.	No.
Teaching and learning departments	612	442	521	441
Teaching and learning support services	98	40	43	43
Other support services	63	54	63	57
Administration and central services	213	59	80	47
Premises	39	26	28	21
Other income-generating activities	154	47	105	47
	1,179	**668**	**840**	**656**

8 HIGHER-PAID STAFF

The number of higher-paid staff, including the Chief Executive, who received emoluments in the following ranges are shown below. Emoluments are calculated on a per annum basis, including remuneration and benefits in kind but excluding employer pension contributions.

	2018 No.	2017 No.
£60,001 to £70,000	8	7
£70,001 to £80,000	5	5
£80,001 to £90,000	1	1
£90,001 to £100,000	4	1
£100,001 to £110,000	-	1
£120,001 to £130,000	3	2
£190,001 to £200,000	-	1
£210,001 to £220,000	1	-
	22	**18**

Compensation for loss of office payable to former higher-paid employees

In 2018, as part of changes to the Executive and Directorate teams, one higher-paid employee took voluntary redundancy and received a voluntary redundancy payment totalling £40,320. This payment was based on the same scheme as that available to all staff who received voluntary redundancy payments during the year. During 2017 there were no such payments made to higher paid staff.

Higher paid staff emoluments (including the Chief Executive)

	2018 £'000	2017 £'000
Salaries	1,760	1,412
Payments in lieu of pension contributions	21	-
Benefits in kind	20	56
	1,801	1,468
Pension costs	252	222
	2,053	**1,690**

The pension costs in respect of the Chief Executive and higher-paid staff are in respect of employer's contributions to the Teachers' or Local Government Pension Schemes and are paid at the same rate as for other employees.

The members of the Corporation, other than the Chief Executive and other staff governors, received payments of £1,034 (2017 £1,452) from the College for travel and subsistence expenses incurred in the course of their duties.

8 HIGHER-PAID STAFF (continued)

Chief Executive emoluments

	2018	2017
	£	£
Salary	195,000	195,000
Payments in lieu of pension contributions	20,082	-
Benefits in kind	-	-
	215,082	195,000
Pension costs	8,034	32,136
	223,116	**227,126**

As referred to above, pension costs in respect of the Chief Executive are in respect of employers' contributions to the Teachers' Pension Scheme.

9 FUNDAMENTAL RESTRUCTURING COSTS

Voluntary redundancy exercise

During the year the College incurred further voluntary redundancy costs of £136,000 (2017 - £521,000) in response to the combination of the ongoing reductions in funding and the increase in pay costs forecast for 2018/19 as a result of increases to employer contributions for National Insurance and the Teachers' Pension scheme.

The total cost includes an amount in respect of pension past service cost arising from the requirement to fund the cost of pension strain for staff over the age of 55 who are members of the Local Government Pension Scheme. This past service cost amounted to £nil (2017 - £110,000) as shown in note 21.

10 OTHER OPERATING EXPENSES

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Teaching departments	2,251	1,342	1,394	1,394
Teaching support services				
• Examination fees	1,627	1,032	1,199	1,199
• Learner transport	474	432	1,386	447
• Other teaching support services	1,657	250	1,813	487
Other support services	54	54	56	56
Catering costs	575	520	529	488
Marketing	412	310	465	465
Administration and central services	2,163	890	2,763	1,060
Income generation costs	1,834	2,111	1,517	1,508
Premises costs	6,477	5,156	5,568	4,770
Subcontracted provision				
• Work based learning	17,127	5,039	11,821	4,213
• Franchised courses	457	457	684	684
• Other subcontracts	3,237	1,729	2,944	2,289
	38,345	**19,322**	**32,139**	**19,060**

Other operating expenses include:

	Consolidated and College	
	2018	2017
	£'000	£'000
Auditors' remuneration		
External auditor		
- Audit of the financial statements	44	43
- Audit of the subsidiary financial statements	48	48
- Other services provided by external auditor	12	10
	104	101
Internal auditor		
- Internal audit	36	36
- Other services provided by internal auditor	50	105
	86	141
Operating lease rental		
- Land and buildings	1,073	919
- Other	323	248

11 INTEREST AND OTHER FINANCE COSTS

	2018		2017	
	Consolidated £'000	**College £'000**	**Consolidated £'000**	**College £'000**
Bank loans and overdrafts	1,363	1,363	1,301	1,295
Finance leases	42	22	49	25
Pension finance costs (note 21)	360	360	450	450
Enhanced pension provision (note 22)	15	15	16	16
Finance charge on deferred consideration	256	256	-	-
	2,036	**2,016**	**1,816**	**1,786**

12 INTANGIBLE ASSETS AND GOODWILL

Consolidated	**Contractual customer relationships £'000**	**ACT brand £'000**	**Goodwill £'000**	**Total £'000**
Cost				
At 1 August 2017	8,307	1,600	2,481	12,388
Acquisitions through business combinations	-	-	793	793
Adjustment to value of deferred consideration	-	-	174	174
At 31 July 2018	**8,307**	**1,600**	**3,448**	**13,355**
Amortisation and impairment				
At 1 August 2017	623	120	186	929
Amortisation charge	830	161	323	1,314
At 31 July 2018	**1,453**	**281**	**509**	**2,243**
Net book value				
At 31 July 2018	**6,854**	**1,319**	**2,939**	**11,112**
At 31 July 2017	**7,684**	**1,480**	**2,295**	**11,459**

The balances presented above arose on acquisition of the ACT Group and Apprenticeship Learning Solutions Limited. See note 14 for further information.

13 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 2017	66,842	8,716	5,491	790	81,839
Additions	1,970	1,082	585	27	3,664
Disposals	-	(82)	-	-	(82)
Transfers from other long term assets	7,561	-	-	-	7,561
Acquired through business combinations	-	129	-	-	129
At 31 July 2018	**76,373**	**9,845**	**6,076**	**817**	**93,111**
Accumulated depreciation					
At 1 August 2017	12,398	4,623	3,714	-	20,735
Charge for the year	1,660	996	984	-	3,640
Disposals	-	(81)	-	-	(81)
Acquired through business combinations	-	114	-	-	114
At 31 July 2018	**14,058**	**5,652**	**4,698**	**-**	**24,408**
Net book value					
At 31 July 2018	**62,315**	**4,193**	**1,378**	**817**	**68,703**
At 31 July 2017	**54,444**	**4,093**	**1,777**	**790**	**61,104**

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 £1,071,000 (2017 - £964,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £409,000 (2017 - £474,000).

13 TANGIBLE ASSETS (continued)

College	Land & buildings £'000	Plant, equipment & vehicles £'000	Computers & IT £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 August 2017	66,042	6,448	5,490	790	78,770
Additions	1,970	802	585	27	3,384
Transfers from other long term assets	7,561	-	-	-	7,561
At 31 July 2018	**75,573**	**7,250**	**6,075**	**817**	**89,715**
Accumulated depreciation					
At 1 August 2017	11,957	3,338	3,714	-	19,009
Charge for the year	1,616	714	985	-	3,315
At 31 July 2018	**13,573**	**4,052**	**4,699**	**-**	**22,324**
Net book value					
At 31 July 2018	**62,000**	**3,198**	**1,376**	**817**	**67,391**
At 31 July 2017	**54,085**	**3,110**	**1,776**	**790**	**59,761**

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 £700,000 (2017 - £964,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £309,000 (2017 - £474,000).

14 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);
- Element Skills Training Limited;
- South East Wales City Region ATA Limited; and
- ACT (Holdings) Limited. ACT (Holdings) Limited owns 100% of the share capital of Associated Community Training Limited, ACT Enhance Limited and Learn About (Wales) Limited. Associated Community Training Limited owns 100% of the share capital of Apprenticeship Learning Solutions Limited ("ALS", acquired on 17 January 2018). Together these entities form the ACT Group.

14 INVESTMENTS (continued)

Acquisition of Apprenticeship Learning Solutions

On 17 January 2018, Associated Community Training Limited acquired 100% of the share capital of Apprenticeship Learning Solutions Limited. The main business of Apprenticeship Learning Solutions Limited is the delivery of apprenticeships and skills training solutions.

The cost of investment was £1,239,000, consisting of professional fees, a cash element paid at the date of acquisition, and a contingent element which will be payable in the future only if Apprenticeship Learning Solutions Limited achieves agreed performance targets.

The contingent element has been included in the cost of investment to the extent that it is considered probable that it will to be paid in the future. Corresponding amounts have been recognised in creditors due within one year (see note 16).

The net assets of Apprenticeship Learning Solutions Limited at the date of acquisition were:

	£'000
Tangible assets	14
Debtors	565
Cash	740
Creditors due within one year	(873)
Net assets	446

The difference between the consideration payable of £1,239,000 and the net assets acquired of £446,000 has been recognised as goodwill of £793,000 in the consolidated accounts (see note 12).

Income of £3,683,000 and surplus before tax of £475,000 relating to Apprenticeship Learning Solutions Limited arose in the period from acquisition to 31 July 2018.

Investment in the ACT Group

The cost of the investment in the ACT group of £15,712,000 (2017- £15,538,000) includes an adjustment of £174,000 made during 2017/18 to reflect additional deferred consideration which it is now considered likely will be payable due to performance conditions being met in the period. This has resulted in a corresponding increase to goodwill (see note 12).

Cash flows

The cash flows shows a total cash outflow of £1,654,000 in respect of the acquisition of subsidiary undertakings. This comprises:

- £1,350,000 cash payments made in respect of ACT Limited contigent consideration; and
- £304,000 net cash impact of the acqusition of ALS Limited.

15 TRADE AND OTHER RECEIVABLES

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	7,157	1,342	6,750	2,262
Prepayments and accrued income	4,537	3,334	4,669	3,302
Amounts due from subsidiary undertakings	-	2,788	-	2,658
	11,694	**7,464**	**11,419**	**8,222**

16 CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 July 2018		31 July 2017	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Bank loans	1,565	1,565	1,603	1,603
Other loan	-	-	6	6
Obligations under finance leases	410	370	513	433
Trade payables	3,883	2,381	2,808	2,016
Other taxation and social security	1,400	1,053	1,204	1,108
Accruals and deferred income	4,037	3,019	3,351	2,478
Holiday pay accrual	651	651	631	631
Government capital grants	770	770	788	788
Other grants	328	328	75	75
Contingent consideration	2,301	2,106	1,880	1,880
Other creditors	608	555	304	304
	15,953	**12,798**	**13,163**	**11,322**

Contingent consideration is the net present value of potential future consideration payments relating to the acquisition of the ACT Group, including ALS (see note 14). The liability will only fall due in the event that the ACT Group achieves agreed financial performance targets, 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 the ACT Group. The College liability relates to the deferred consideration in respect of ACT Limited. The consolidated liability also includes the deferred consideration in respect of ALS Limited, as this will be payable by ACT.

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.

	31 July 2018		31 July 2017	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Deferred income	757	757	438	438
	757	**757**	**438**	**438**

17 CREDITORS- AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 July 2018		31 July 2017	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Bank loans	29,134	29,134	27,508	27,508
Obligations under finance leases	304	299	378	356
Government capital grants	17,048	17,047	17,818	17,818
Other grants	390	390	632	632
Contingent consideration	1,265	1,265	2,413	2,413
Other creditors	-	-	553	553
	48,141	**48,135**	**49,302**	**49,280**

Contingent consideration is the net present value of potential future consideration payments relating to the acquisition of the ACT Group, including ALS (see note 14). The liability will only fall due in the event that the ACT Group achieves agreed financial performance targets, 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 the ACT Group.

18 BORROWINGS

Bank loans

Bank loans are repayable as follows:

	31 July 2018		31 July 2017	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Due within one year or on demand	1,565	1,565	1,603	1,603
Due between one and two years	1,591	1,591	1,635	1,635
Due between two and five years	8,470	8,470	5,108	5,108
Due in five years or more	19,073	19,073	20,765	20,765
Total	**30,699**	**30,699**	**29,111**	**29,111**

The College had three unsecured bank loans during the year. The first, with Lloyds Bank, was repaid in full on 23 July 2018; the interest cost presented in note 11 includes £33k relating to early repayment charges.

The second loan, with Santander, 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 third loan, also with Santander, 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.

18 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. This facility is repayable after three years, and incurs interest at a rate of one- month LIBOR + 1.5%.

Other loan

The other loan is repayable as follows:

	31 July 2018 Consolidated £'000	31 July 2018 College £'000	31 July 2017 Consolidated £'000	31 July 2017 College £'000
Due within one year or on demand	-	-	6	6
Due between one and two years	-	-	-	-
Total	**-**	**-**	**6**	**6**

The loan is a six-year interest-free loan with Salix Finance. The loan was applied under the Energy Efficiency Loan Scheme, which is payable in 12 biannual repayments of £5,901.

Finance leases

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

	31 July 2018 Consolidated £'000	31 July 2018 College £'000	31 July 2017 Consolidated £'000	31 July 2017 College £'000
In one year or less	410	370	513	433
Between two and five years	304	299	378	357
Total	**714**	**669**	**891**	**790**

19 CONSOLIDATED RECONCILIATION OF NET DEBT

	At 1 August 2017 £'000	Cash flows £'000	Acquisition of subsidiairies £'000	New finance leases £'000	At 31 July 2018 £'000
Cash at bank and in hand	5,772	1,996	(1,654)	-	6,114
Debt due after one year	(27,514)	(1,620)	-	-	(29,134)
Debt due within one year	(1,603)	38	-	-	(1,565)
Finance leases	(891)	611	-	(434)	(714)
	(24,236)	**1,025**	**(1,654)**	**(434)**	**(25,299)**

20 LEASE OBLIGATIONS

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

	2018 Consolidated £'000	2018 College £'000	2017 Consolidated £'000	2017 College £'000
Land and buildings				
Not later than one year	1,406	607	1,559	660
Later than one year and not later than five years	4,614	2,306	4,874	2,427
Later than five years	9,052	5,470	10,031	6,007
	15,072	**8,383**	**16,464**	**9,094**
Other				
Not later than one year	94	94	59	59
Later than one year and not later than five years	229	229	-	-
	323	**323**	**59**	**59**

21 PENSION PROVISIONS

The Group operates the following pension schemes:

- the Cardiff and Vale of Glamorgan Pension Fund ("C&VPF"), 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 Zurich pension scheme, a defined contribution scheme; and
- the St James's Place Wealth Management scheme, a defined contribution scheme.

Consolidated

	£'000	2018 £'000	£'000	2017 £'000
Teachers' Pension Scheme: contributions paid		1,845		1,782
Local Government Pension Scheme:				
Contributions paid	1,550		1,420	
FRS 102 (28) charge	940		1,300	
		2,490		2,720
Enhanced pension credit (see note 22)		(15)		(10)
Defined contribution schemes: contributions paid		374		169
Total pension cost for the year within staff costs		**4,694**		**4,661**

21 PENSION PROVISIONS (continued)

College

		2018		2017
	£'000	£'000	£'000	£'000
Teachers' Pension Scheme: contributions paid		1,845		1,782
Local Government Pension Scheme:				
Contributions paid	1,550		1,420	
FRS 102 (28) charge	940		1,300	
		2,490		2,720
Enhanced pension credit (see note 22)		(15)		(10)
Total pension cost for the year within staff costs		**4,320**		**4,492**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2004 and the C&VPF 31 March 2016.

At 31 July 2018 contributions amounting to £396,000 (2017 £394,000) were payable to the schemes and are included within creditors.

Teachers' Pension Scheme

Overview

The TPS is a statutory, contributory, defined benefit scheme which operates under the Teachers' Pensions Regulations 2010. These Regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. 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 teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions are made on a 'pay-as-you-go' basis, and employers' contributions are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account ("the 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 (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

21 PENSION PROVISIONS (continued)

Teachers' Pension Scheme (continued)

Valuation of the Teachers' Pension Scheme

Historically, not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducted a formal actuarial review of the TPS. The aim of the review was to specify the level of future contributions. The last formal actuarial valuation undertaken for the Teachers' Pension Scheme was completed in 2004. Consequently, a formal actuarial valuation would have been due by 2008. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

Approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account in respect of benefits accrued by past and present teachers are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

As described above, the last formal valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The report revealed that the total liabilities of the TPS (pensions currently in payment and the estimated cost of future benefits) amounted to £191,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176,600 million, giving a notional past service deficit of £14,900 million. The assumed real rate of return was 3% in excess of prices and 0.25% in excess of earnings. The rate of real earnings growth was assumed to be 2.75%. The assumed gross rate of return was 5.06%.

As part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 20.4%, and the supplementary contribution rate was assessed to be 5.6% (to balance assets and liabilities as required by the regulations within 15 years).

This resulted in a total contribution rate of 26.0%, which translated into an employee contribution rate of 9.6% and employer contribution rate of 16.4% payable, which came into effect on 1 September 2015. In addition, employers are also required to pay a further 0.08% contribution in respect of administration fees.

The cost-sharing agreement also set a 10.9% cap on employer contributions payable.

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

21 PENSION PROVISIONS (continued)

Teachers' Pension Scheme (continued)

Valuation of the Teachers' Pension Scheme (continued)

The next formal valuation is currently in progress, with the results expected to be implemented in September 2019. Initial information published by the Government Actuary has indicated that the employer contribution rate will need to increase due largely to a decrease in the discount rate used to assess the current cost of future payments from the schemes.

Scheme changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department for Education published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three-and-a-half-year period, for people who would fall up to three and a half years outside of the 10-year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,845,000 (2017: £1,782,000).

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)

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 following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

21 PENSION PROVISIONS (continued)

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

Principal assumptions

The principal assumptions made by the actuaries were:

	31 July 2018	31 July 2017
RPI Inflation	3.2%	3.1%
CPI Inflation	2.1%	2.0%
Rate of increase in salaries	3.1%	3.0%
Rate of increase for pensions in payment	2.1%	2.0%
Rate of revaluation of pension accounts	2.1%	2.0%
Rate of increase to deferred pensions	2.1%	2.0%
Discount rate for liabilities	2.8%	2.6%

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:

	31 July 2018	31 July 2017
Retiring today:		
Male	23.1	23.0
Female	24.2	24.0
Retiring in 20 years:		
Male	25.8	25.7
Female	27.2	27.1

Asset split as a percentage of total assets

	31 July 2018	31 July 2017
Equities	65.9%	77.9%
Property	6.5%	6.3%
Government bonds	10.5%	8.3%
Corporate bonds	10.2%	5.6%
Cash	1.7%	1.9%
Other	5.2%	0.0%
	100.0%	100.0%

Analysis of the amount charged to the Statement of Comprehensive Income

	31 July 2018	31 July 2017
Amounts included in staff costs		
	£'000	**£'000**
Employer current service cost net of employee contributions	2,490	2,720
Amounts included in fundamental restructuring costs		
Past service cost (see note 9)	-	110
Total amount charged to the Statement of Comprehensive Income	**2,490**	**2,830**

21 PENSION PROVISIONS (continued)

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

Amounts included in interest payable

	£'000	£'000
Net interest cost	360	450

Amount recognised in Other Comprehensive Income

	£'000	£'000
Asset gains arising in the year	1,370	1,090
Liability gains arising in the year	780	5,460
Total amount recognised in Other Comprehensive Income	**2,150**	**6,550**

Net pension liability recognised on balance sheet

	31 July 2018	31 July 2017
	£000	£000
Fair value of College's share of scheme assets	37,420	33,960
Present value of defined benefit obligation relating to the College	(51,390)	(48,780)
Net pension liability applicable to the College	**(13,970)**	**(14,820)**

Movement in net pension liability during the year

	£'000	£'000
At 1 August	(14,820)	(19,620)
Current service cost	(2,490)	(2,720)
Employer contributions	1,550	1,530
Past service cost	-	(110)
Net interest cost on assets	(360)	(450)
Actuarial gain	2,150	6,550
At 31 July	**(13,970)**	**(14,820)**

Movement in present value of defined benefit obligation

	2018	2017
	£'000	£'000
At 1 August	48,780	50,500
Current service cost	2,490	2,720
Past service cost	-	110
Interest expense	1,260	1,210
Remeasurement: actuarial gain	(780)	(5,460)
Contributions by members	570	540
Benefits paid #	(930)	(840)
At 31 July	**51,390**	**48,780**

21 PENSION PROVISIONS (continued)

Movement in fair value of scheme assets

	£'000	£'000
At 1 August	33,960	30,880
Interest income	900	760
Remeasurement: return on scheme assets less interest income	1,370	1,090
Contributions by employer	1,550	1,530
Contributions by members	570	540
Benefits paid #	(930)	(840)
At 31 July	**37,420**	**33,960**

*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.

Defined contribution schemes

The Group operated three defined contribution schemes during the year. Employer contributions paid into these schemes during the year totalled £375,000 (2017 - £169,000). Contributions payable to the Group's defined contribution pension schemes are charged to profit or loss in the period to which they relate.

22 OTHER PROVISIONS

Consolidated	**Enhanced pension**	**Redundancy**	**Deferred tax**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 1 August 2017	425	431	72	986	1,914
Utilised in the year	(34)	(462)	-	-	(496)
Interest charged on provision (note 11)	15	-	-	-	15
(Credit)/ charge in the year	(15)	136	-	-	121
At 31 July 2018	**391**	**105**	**72**	**986**	**1,554**

College	**Enhanced pension £'000**	**Redundancy £'000**	**Total £'000**
At 1 August 2017	425	431	856
Utilised in the year	(34)	(462)	(496)
Interest charged on provision (note 11)	15	-	15
(Credit)/ charge in the year	(15)	136	121
At 31 July 2018	**391**	**105**	**496**

22 OTHER PROVISIONS (continued)

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 reflect the estimated costs associated with the settlement of the ACT Group's involvement, prior to its acquisition by the College, in Employee Benefit Trusts and an Employer-Financed Retirement Benefit Scheme ("EFRBS"). The arrangements in place have been reviewed by specialist tax advisors, and estimates made for the cost associated with winding up these schemes, taking into account the latest HMRC guidance on the settlement opportunities for such schemes.

23 CAPITAL COMMITMENTS

The College had no contractual capital commitments at 31 July 2018 (2017 - £197,000).

24 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, 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		
2018	227	3
2017	102	54
Purchases of goods and services from related parties		
2018	1,841	109
2017	65	8

College

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.

25 AGENCY RECEIPTS AND PAYMENTS

Financial contingency funds

	2018 £'000	2017 £'000
At 1 August	-	49
Welsh Government grants plus interest	644	644
Disbursements	(625)	(676)
Administration and publicity costs	(19)	(17)
At 31 July	-	-

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.

Young Recruits Programme

	2018 £'000	2017 £'000
Gross programme funding received	-	21
Clawback of grant by Welsh Government	(24)	-
Wage subsidy payments made to employers	-	(17)
Net College administration income retained	(24)	4

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 that hasn't yet been claimed by the employer is being clawed back by the Welsh Government.

Apprenticeship Employer Incentive Programme

	2018 £'000	2017 £'000
Gross programme funding received	34	-
Incentive payments made to employers	(27)	-
Balance at 31 July	7	-

25 AGENCY RECEIPTS AND PAYMENTS (continued)

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.

26 RESTRICTED RESERVE

The restricted reserve of £1,525,000 (2017 - £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*.

27 POST BALANCE SHEET EVENTS

Acquisition of One Canal Parade

On 23 August 2018, the College purchased the freehold property One Canal Parade, a newly constructed office block situated on Dumballs Road, next to the City Centre Campus. The total cost of the building was £17.04million, funded by a loan of £12.78million from Santander, a revolving credit facility of £3.5million from Santander, and through College reserves. The College anticipates being able to reclaim approximately £1.5million of VAT on the purchase of the building.

High Court ruling on equalisation of guaranteed minimum pension payments (GMPs)

A High Court ruling on 28th 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.

It is not yet clear as to whether this ruling will affect the calculation of the pension liability in future years.