

Cardiff and Vale College
Coleg Caerdydd a'r Fro



CARDIFF AND VALE COLLEGE

CONSOLIDATED ANNUAL REPORT

AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JULY 2019

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CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

REPORT OF THE GOVERNING BODY

The Governing Body presents its annual report and the audited financial statements of Cardiff and Vale College ("the College") for the year ended 31 July 2019.

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 16 to 17. 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.

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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 2018/19 the College provided opportunities for 26,838 learners, including:

- 5,289 learners on full-time courses
- 470 learners on higher education courses
- 98 Junior Apprentices
- 264 school pupils aged 14-19 on part-time learning pathways
- 11,632 on apprenticeship and traineeship programmes
- 7,945 adults studying on a part-time basis
- 1,140 learners studying through franchise arrangements in the community

2018/19 – the College's performance

During the year the College continued to improve the success rates of learners, with the main qualifications overall success rate improving by 5% to 85%. The College also had a very positive Estyn inspection in November 2018, and was awarded four 'Good' grades and one 'Excellent' grade based on the new Estyn Inspection Areas.

- Value added scores for both AS and A level have improved; the overall quality indicator for A level improved from 7 to 3, and for AS level from 5 to 4, demonstrating the positive impact of the College's provision on our learners.
- Internal progression has increased from 36% to 38%.
- 78% of Junior Apprentice learners achieved A-G grades in English, maths and numeracy; a slight increase from the previous year. The 22% who did not achieve were actively engaged in maths, numeracy and English sessions throughout the year. 96% of Junior Apprentices achieved their main qualification and have progressed onto apprenticeships or further learning.
- Higher education has grown by 2% and HE successful completion was 90% for 2018/19.
- There is a strong attendance record across the College with an overall College annual attendance rate in 2018/19 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%. All surveys met KPI targets in 2018/19.
- In work-based learning, the College-led Quality Skills Alliance is projecting success rates of 83% for Foundation Apprenticeships, 85% for Apprenticeships and 85% for Higher Apprenticeships. All these have improved from 2017/18 and are projected to be above national comparator. The CAVC group is now the biggest provider of apprenticeships in Wales.
- Progression of learners from their starting points into further learning, apprenticeships or employment is excellent and we provide exemplary employability provision, work-related education and links with employers.
- Our income streams have diversified and grown making us financially resilient and able to invest in sustainable provision where funding doesn't exist, and our future estate. In 2011, 70% of our income was our core FE grant from Welsh Government, and this is now just 31% of our total income.

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 to represent Team UK at EuroSkills Budapest and the World Skills Finals in Kazan. Tom achieved a Medal of Excellence, the award given to competitors who have achieved the highest international standards. Kyle Woodward, a cyber-security student, was also successfully selected from organisations across the UK to compete at the World Skills UK Finals in Kazan.
- The College sent more learners to the WorldSkills UK finals in 2018 than any other Welsh college. Twelve students from a range of departments competed, securing one silver and two bronze medals.
- The following individual learners were awarded medals in Skills Competition Wales: Mitchell Cole (gold medal, Automotive Refinishing); Kristian Eirsland (gold medal, Heavy Vehicle Technology); Morgan McNeil (gold medal, IT Support Technician competition); Benjamin Crook (bronze medal, IT Network Security); Leah Olding (silver medal, IT Software Solutions for Business); Tasnim Bunyan (bronze medal, IT Software Solutions for Business); Ieuan Jones (silver medal, Culinary Arts), Nia Williams (bronze medal, Culinary Arts); Courtney Inker (silver medal, Inclusive Skills Hairdressing); Oscar Green and Omer Waheed (silver medals, Automotive Repair Body). A team of learners also won a gold medal in Accountancy.
- Esta Lewis, Wales' first Heritage Outreach Apprentice, won Tomorrow's Talent Award at the Apprenticeship Awards 2018.
- The Rugby Academy enjoyed another successful year, culminating in the team's first international fixtures when it represented Wales at the Sanix World Youth Tournament, finishing in sixth place. The team also finished in fourth position in the Welsh Schools and Colleges A Licence league.
- Cardiff and Vale College's Netball Academy has had players be selected for Wales, Cardiff and Vale County, and for Netball Superleague team the Celtic Dragons.
- Two ALS learners were recognised at the Vocational Qualification Awards; Jonathan Thomas was chosen as a finalist, and Charlotte O'Brien was named 'The VQ Higher Learner of the Year'.
- Another ALS learner, Corinna Roberts, was shortlisted for Foundation Apprentice of the Year at the Apprenticeship Awards 2018.
- An ACT learner, Stella Vasiliou, won the Traineeship Learner of the Year (Level 1) at the Apprenticeship Awards 2018

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. Learners are engaged in work placements based with employers such as 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. Dow Corning has recently joined the programme and will be offering internships for 2019/20.
- The College has made significant investment in technology-enhanced learning (TEL), with staff supported by in-house Digital Leaders, and good practice shared during TeachMeets, staff development days and at the annual TEL festival 'Let's Get Phygital' in May 2019. The Makerspace opened at our City Centre Campus in October 2018, providing an excellent space for learners, staff and our community to experiment and learn with technology. We are developing a pop-up Makerspace for other campuses.
- The Regional ESOL Assessment Central Hub (REACH) has continued to meet the growing needs for ESOL (English for Speakers of Other Languages) education in the region and removing the ESOL waiting list. The team has supported the creation of additional centres in Newport, Swansea and Wrexham and has also won the tender to support refugees across the region with the ReStart: Refugee Integration project.
- 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 issue 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.
- Following the College's success in 2017/18 in becoming the first Further Education provider in Wales to achieve the Matrix Award (in recognition of the quality of its careers information, advice and guidance practices) a further Matrix Award has been received in 2018/19 in respect of our work with local communities.
- The College has opened 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 2018/19, 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 College supported the launch of the Welsh Government's Skills Development Fund (SDF) which provided funding for employed adults to improve their skills to support either their progression and promotion with their current employer or to make a career change.
- Following the College's success in 2017/18 in winning two Association of College's Beacon Awards, the College was again shortlisted for an award for Wellbeing relating to our support for learners, staff and the community.

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Curriculum and other developments and achievements (continued)

- Public Services Lecturer Tom Jones was shortlisted for TES FE Lecturer of the Year.
- The College was shortlisted in the Education category for its Junior Apprenticeship Programme and the Restaurant category for The Classroom at the Cardiff Life Awards.
- The ALN and Wellbeing team placed second in the National Association for Managers of Student Services Awards for Student Services Team of the Year, and won the Nasen Award for Post 16-25 provision.

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, Deloitte, 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 local authorities and the Education Achievement Service, sharing professional development activities for teaching and hosting the Seren Project, a specific scheme for more able and talented learners.
- The College has also developed further 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.
- During the year the College continued its training programme for Welsh Rugby Union athletes at all levels, in collaboration with the Welsh Rugby Players Association.
- 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 hard-to-reach and 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 the Welsh Government's 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, Make Art not War with the Imperial War Museum, the Roald Dahl festival, live music events in the city, and the 'BBC Introduces' music programme.

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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.

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, and other factors besides those listed below may also adversely affect the College.

Funding and growth

In recent years the College, and wider FE sector in Wales, has in real terms been faced with a period of sustained funding reductions, with any increases insufficient to meet the costs of pay awards and inflationary increases on non-pay costs.

At the same time, demand from students for places on the College's courses has been increasingly high, and in excess of available funding. The College has therefore been regularly faced with difficult decisions of either turning learners away or meeting the needs of learners and its communities by delivering more activity than it was funded for. The College has consistently chosen to meet the needs of its learners and communities, and deliver additional courses, utilising its limited financial reserves in order to do so. However, this would not have been sustainable in the long term.

The College is therefore delighted that the Welsh Government has, with effect from 2019/20, revised its funding allocation methodology for the further education sector.

The new methodology will fund Colleges for growth in learner numbers, taking into account expected regional demographic changes, and thus addressing the Wales Audit Office's recommendation that funding be more closely linked with demand for further education in each area.

The new methodology has resulted in the College being allocated additional core grant funding of £4.7million in 2019/20, 16% higher than in 2018/19. This welcome change reflects the consistent growth in learner demand in recent years, and recognises the extent to which the College has supported that demand without appropriate funding.

The additional funding clearly represents an exciting opportunity for the College to reach more learners and develop more skilled, employable people in the region. However, growth of this scale presents new risks – the College is now focussed on delivering its new allocation, expanding existing provision and developing in new areas while ensuring that high standards of quality and efficiency are maintained.

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Principal risks and uncertainties (continued)

Developing resilience and new sources of funding

In recent years the College has implemented a strategy of improving resilience through the acquisition of the ACT group in 2016/17 and Apprenticeship Learning Solutions Limited (ALS) in 2017/18. This has strengthened the group's position as the leading provider of apprentices in Wales, and reduced reliance on its core FE funding grant. In the year ended 31 July 2019 core FE funding represented only 31% (2018 – 33%) of the College's total income for the year.

The College has continued to proactively engage with new Welsh Government initiatives to further develop skills and opportunities for individuals, employers and communities. Notably in the year, the College was able to successfully deliver a substantial number of courses funded by the Skills Development Fund, a new funding stream launched by the Welsh Government with the objective of enabling the further education sector to develop provision to address job-specific skills gaps in line with the needs of local employers.

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

Work Based Learning

A number of matters relating to work-based learning are currently on the horizon which are considered important strategic opportunities (and risks) that will shape the future direction of the College.

The College and subsidiary company Associated Community Training have submitted bids for the Welsh Government's pan-Wales 'Jobs Support Wales' procurement exercise in respect of employability and skills support. The outcome of the exercise has not yet been announced, but if successful would enable the College to substantially expand its social engagement provision both within our existing region, and further afield throughout Wales.

In addition the Welsh Government's next procurement exercise for work-based learning provision is expected to commence in 2020. This exercise represents a strategic risk and opportunity for the College's ambition to continue to develop its work-based learning activities and enhance opportunities for learners and employers.

Brexit

Brexit continues to give rise to uncertainty – this could directly affect the College with the removal of ESF funding that currently contributes 25% of the Welsh Government's Work-based Learning budget and perhaps future restrictions on overseas students – an area in which the College has been able to grow.

There may also be operational impacts, from students ability to benefit from ERASMUS funding for European exchange trips to the availability of medicines, foodstuffs and other matters. The College continues to monitor advice from both the Welsh and UK Governments on these matters.

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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 2019 was £76.4million, compared to £62.3million at 31 July 2018. The increase was driven primarily by the purchase of the freehold property One Canal Parade, a newly constructed property situated on Dumballs Road, next to the City Centre Campus.

Financial

At 31 July 2019, the Group had net assets of £11.7million (2018 - £18.1million) including a pension liability of £20.4million (2018 - £14.0million)

People

During the year the Group employed an average of 1,200 staff (2018 – 1,179) (expressed as full time equivalents).

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 2019 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 three years the College has invested these reserves in those capital developments and to fund the acquisition of the ACT Group.

Accordingly, at 31 July 2019, the College has a lower level of reserves than in previous years, £3.4million (2018 - £3.7million) 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 £3.4million comprise a restricted reserve of £1.5million (2018 - £1.5million), and £1.9million (2018 - £2.2million) set aside to provide a financial reserve. The College's financial strategy includes the objective to increase that reserve over the next few years to provide funds for future development in our Barry and Vale campuses.

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Financial results

In the context of ongoing 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 £93million (2018 - £85million) and EBITDA was £6.5million (2018 - £4.9million).

These significant increases were achieved as a result of growth in the College's core full time FE provision, new part time courses funded by the new Skills Development Fund, and the full year impact of the acquisition in the prior year of ALS Limited.

Although the Welsh Government fully funded the staff pay award in 2018/19, the College still needed to focus on appropriate efficiencies to fund inflationary costs on our non-pay expenditure, as well as a range of additional learner support and other costs not always fully funded by new grant schemes.

The College's strong result for the year was achieved despite the financial impact of continued difficulties experienced in the English apprenticeship market. In light of these difficulties, the College made the strategic decision during the year to cease activity in this area in order to focus on other priorities. Following the decision, the College continued to actively support all learners to either complete their programmes (irrespective of funding) or transfer to alternative providers.

Subsidiary companies ACT and ALS have continued to perform 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 £2.1million (2018 - £1.3million) arising as a result of accounting for the LGPS in accordance with FRS 102. The LGPS pension provision recognised on the balance sheet has increased in the year by £6.4million to £20.4m (2018 - £14.0m).

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.

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Treasury management (continued)

During the year the College entered into further borrowing arrangements with Santander; the loan was used to fund the purchase of the freehold property One Canal Parade, a newly constructed office block situated on Dumballs Road, next to the City Centre Campus. 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.

The College's loan agreements with Santander sets out a number of financial covenants including debt service and interest cost ratios to EBITDA and net assets levels, which are reported to and monitored by the Finance, Estates, Commercial and HR sub-committee of the Governing Body. At the year end the College had met these covenant tests with significant headroom.

Cash flows and liquidity

The Group's cash balance at 31 July 2019 was £2.9million (2018 - £6.1million). The reduction in the cash balance arose because the balance at 31 July 2018 included £3.5million of bank loan funding received in readiness for the purchase of One Canal Parade in August 2018.

During the year, the College paid £2.4million of contingent consideration in relation to the acquisition of the ACT Group and ALS, based on performance targets set at the time of acquisition. These additional payments were fully funded from profits generated by ACT and ALS.

The reported net current liabilities of £3.4million (2018 – net current assets of £1.9million) includes a number of accounting liabilities which are not expected to be settled in the forthcoming year, and also include contingent consideration, which will be settled in line with available cash flows generated by ACT and ALS and paid to the College as gift aid.

Capital developments

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

- In collaboration with Cardiff Council, the College:
 - Reached completion of the new Cardiff West Community High School and Sixth Form Centre which became operational for College provision in May 2019;
 - Agreed options to support the proposed development and relocation of the new Fitzalan High School to the CISC Leckwith site; and
 - Negotiated the extension of the lease for Cardiff Construction Training Centre
- Further improvements at Cardiff International Sports Campus were made by our partner House of Sport, who completed the replacement both the replacement of the athletics track and the installation of a new high quality Desso hybrid playing surface in the in-field.
- The College entered into a lease for its new Creative Arts Academy close to its City Centre Campus, creating a new bespoke, dedicated space for HE and FE learners undertaking art, design and creative courses.

Capital developments (continued)

- 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 Band B Mutual Investment Model (MIM) programme. We are working with the Welsh Government and partners to deliver two new campuses – a general further education campus at Barry Waterfront Southern IQ site, and an advanced manufacturing centre on a site close to the current ICAT site and Cardiff Airport. In this respect, we have entered into and continued dialogue with the Vale of Glamorgan Council on the acquisition of two parcels of land at the locations mentioned above.
- A grant of £1.9m was confirmed from the Welsh Government's £15m Community Hub funding scheme to develop and procure a 3g playing surface, two MUGAs and associated work on the grassed area behind the city centre campus, known as Canal Park. Planning and design work is on-going, and subject to necessary consents being received, completion is expected in 2020.

Payment performance

Creditor payment days, based on creditors at 31 July 2019, was 30 days (2018 – 37 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 is proud to be Welsh. It believes that everyone has the right to communicate, receive services and learn through the medium of Welsh and is committed to providing that opportunity for its learners, employees and visitors. CAVC has a positive and robust approach to meeting its Welsh Language Standards requirements to ensure a positive bilingual service for all learners and the ability for all stakeholders to interact with the College in the language of their choice.

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

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

Equality and Diversity

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

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

Equality and Diversity (continued)

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

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

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 annual equalities plan is monitored by managers and governors.

Sustainability

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

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

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

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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 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.
- In collaboration with Cardiff Council and supported by Welsh Government funding, progressing the 'Canal Park' project to develop a community sports facility in Butetown, one of the most deprived and disadvantaged areas in Wales.
- building on the acquisition of ACT and ALS, the further development of a comprehensive work-based learning offering, enhancing the opportunities offered to learners, employers and communities.
- expanding our social engagement provision, through the Welsh Government's Jobs Support Wales programme.
- 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 financial statements or in separate reports available on the College website.

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

- As part of the National Agreements in place between Colleges Wales as the employer representative and the Joint Trade Unions all staff directly employed by the College are:
 - employed on “common contracts” agreed with the Joint Trade Unions under which staff are entitled to pension and holiday arrangements that represent a substantial part of their “total remuneration”;
 - paid, as a minimum, in line with Living Wage Foundation guidelines;
 - receive annual pay awards arising from national Welsh FE sector negotiations with the Joint Trade Unions; and
 - in respect of teaching staff, are paid on a common pay scale with nationally agreed procedures for incremental increases up that pay scale.
- In respect of business support staff, in the absence of a national pay scale or grading system, the College some years ago implemented in consultation and agreement with local trade union representatives a job evaluation process.
- Any new roles that are established that fit outside of the business support job evaluation process are assessed by reference to current local pay rates (taking into consideration the value of the pension and holiday entitlement) and where appropriate relevant salary benchmarking services.
- The Governing Body has established a Remuneration Committee to consider the remuneration of senior post holders including the Clerk to the Governing Body. The membership of this Committee is set out on page 16 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.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

REPORT OF THE GOVERNING BODY

Members of Cardiff and Vale College Further Education Corporation

The members who, unless otherwise stated, served the Cardiff and Vale College Further Education Corporation for the period from 1 August 2018 to the date of signing of the financial statements 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
Mr B Haines Vice Chair of Corporation	Governor		R, S&G, FECHR
Dr M Davies	Governor		A (Chair)
Ms R Davies	Business Support Staff Governor		FECHR, CQSA, Community Board
Dr F Cowe	Governor		CQSA
Cllr B Penrose	Local Authority Governor - Vale	R – May 19	CQSA
Cllr B Gray	Local Authority Governor - Vale	A – June 19	CQSA
Mr M James	Group Chief Executive		FECHR, CQSA
Cllr S Merry	Local Authority Governor - Cardiff		CQSA
Mr D Austin	Governor		A
Mr D James	Governor		FECHR
Mrs L Jones	Student Governor	A – Sept 18, R – May 19	CQSA, Community Board
Ms S Gape	Student Governor	A - Oct 19	CQSA, Community Board
Mr I Morris	Governor		FECHR
Mr D Reeves	Governor		FECHR, R, S&G, ACT Strategy Board
Mr K Robinson	Academic Staff Governor	R – Oct 19	FECHR, CQSA, Community Board
Ms N Hodkinson	Academic Staff Governor	A – Oct 19	FECHR, CQSA, Community Board
Prof D Saunders	Governor		CQSA (Chair), ACT Strategy Board (Chair)
Mr R Thomas	Governor		FECHR
Ms S Rizea	Student Governor		CQSA, Community Board, ACT Strategy Board

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)
- Community Board
- ACT Strategy Board

In addition to the Governors listed above, Professor A Chapman served as an independent member of the Remuneration Committee throughout the year, until his resignation in October 2019.

CARDIFF AND VALE COLLEGE**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019****REPORT OF THE GOVERNING BODY****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			√
Ms R Huws Williams (A – May 2019)		√	
Ms L Hawkins (A – November 2019)		√	

The following individuals served as Community Governors in the period from 1 August 2018 to the date of signing of the financial statements.

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	

ACT Strategy Board (not including Main Board Governors)	Date of appointment (A)/ resignation (R)
Julian Baker	A – July 2018
Heather Ferguson	A – July 2018
Margaret Foster	A - July 2018
Susan Hatch	A – July 2018, R – July 2019
Leah Howells	A – Nov 2018, R – July 2019
Steve Murphy	A - July 2018
John Taylor	A - July 2018
Rhian Huws Williams	A – May 2019
Lesley Hawkins	A – November 2019

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

REPORT OF THE GOVERNING BODY

Disclosure of information to auditors

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



Mr G D Evans MBE
Chair of Governing Body

11 December 2019



Mr M James
Group Chief Executive

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

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.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

STATEMENT OF THE GOVERNING BODY'S RESPONSIBILITIES

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 G D Evans MBE
Chair of the Governing Body

11 December 2019

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

CORPORATE GOVERNANCE

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

This summary describes the manner in which the Institution has applied the principles set out in the UK Corporate Governance Code 2016 (the Code) in so far as they apply to the further education sector. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

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

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

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

In the opinion of the Governors, Cardiff and Vale College complied with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2019.

The Corporation

The composition of the Cardiff and Vale College Further Education Corporation during the year ended 31 July 2019 is set out on pages 16 to 17. 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 Chair and Group Chief Executive were separate.

Remuneration Committee

Throughout the year ended 31 July 2019, the Institution's remuneration committee comprised the members who are identified on page 16. The Committee's responsibilities were to make recommendations to the Board on the remuneration and benefits of the Group Chief Executive and other senior post-holders.

Details of senior post-holders' remuneration for the year ended 31 July 2019 are set out in note 8 to the financial statements.

Appointments to the Corporation

Any new appointments to the Corporation were a matter of consideration of the Corporation as a whole. The Corporation has a search and governance committee which is comprised of the members who are identified on page 16 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 two members of the Corporation and at least three co-opted members as identified on pages 16 and 17. 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 Group Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Institution's policies, aims and objectives, whilst safeguarding the public funds and assets for which the Group Chief Executive is personally responsible, in accordance with the responsibilities assigned to the Group Chief Executive in the Financial Memorandum between Cardiff and Vale College and the Welsh Government. The Group Chief Executive was also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risks of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Institution policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Cardiff and Vale College for the year ended 31 July 2019 and up to the date of approval of the annual report and financial statements.

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 2019.

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

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

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

The executive team receives reports setting out key 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 11 December 2019, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering the Audit Committee's annual report, the internal audit annual report, the external audit management letter and supporting documentation from officers.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

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 G D Evans MBE
Chair of the Governing Body



Mr M James
Group Chief Executive

11 December 2019

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

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 2019, 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 (the "Annual Report"), which comprise the Consolidated and College Balance Sheets as at 31 July 2019; 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.

Conclusions relating to going concern (continued)

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

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 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 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's 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.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

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

Responsibilities for the financial statements and the audit (continued)

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 2015 issued by the Welsh Government

In our opinion, in all material respects:

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



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

11 December 2019

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 July 2019		Year ended 31 July 2018	
	Note	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Income					
Welsh Government grants	2	78,399	42,263	70,577	38,662
Tuition fees and education contracts	3	6,153	4,614	5,703	4,604
Other income	4	8,667	6,465	9,123	7,399
Investment income	5	14	14	6	6
Gift aid income from subsidiaries	6	-	4,228	-	2,897
Total income		93,233	57,584	85,409	53,568
Expenditure					
Staff costs	7	45,912	32,756	42,418	29,880
Other operating expenses	9	41,769	19,451	38,345	19,322
Depreciation	12	3,532	3,302	3,640	3,315
Amortisation	11	1,726	28	1,314	-
Interest and other finance costs	10	2,295	2,287	2,036	2,016
Total expenditure		95,234	57,824	87,753	54,533
Deficit before other gains and losses		(2,001)	(240)	(2,344)	(965)
Loss on disposal of fixed assets		(49)	(49)	-	-
Deficit before tax		(2,050)	(289)	(2,344)	(965)
Taxation credit		-	-	81	-
Deficit for the year		(2,050)	(289)	(2,263)	(965)
Actuarial (loss)/ gain in respect of pension schemes	20	(4,300)	(4,300)	2,150	2,150
Total comprehensive (expense)/ income for the year		(6,350)	(4,589)	(113)	1,185

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

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES

	Income and expenditure reserve		Revaluation reserve	Total reserves
	Restricted (see note 25) £'000	Unrestricted £'000		
Group				
Balance as at 1 August 2018	1,525	6,632	9,898	18,055
Deficit for the year	-	(2,050)	-	(2,050)
Other comprehensive expenditure	-	(4,300)	-	(4,300)
Total comprehensive expenditure for the year	-	(6,350)	-	(6,350)
Transfers between income and expenditure and revaluation reserve	-	134	(134)	-
Balance as at 31 July 2019	1,525	416	9,764	11,705
College				
Balance as at 1 August 2018	1,525	9,462	9,898	20,885
Deficit for the year	-	(289)	-	(289)
Other comprehensive expenditure	-	(4,300)	-	(4,300)
Total comprehensive expenditure for the year	-	(4,589)	-	(4,589)
Transfers between income and expenditure and revaluation reserve	-	134	(134)	-
Balance as at 31 July 2019	1,525	5,007	9,764	16,296

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

CONSOLIDATED AND COLLEGE BALANCE SHEETS

	Note	As at 31 July 2019		As at 31 July 2018	
		Consolidated £'000	College £'000	Consolidated £'000	College £'000
Fixed assets					
Intangible assets and goodwill	11	11,669	811	11,112	-
Tangible assets	12	81,257	79,945	68,703	67,391
Investments	13	-	16,857	-	15,712
		-----	-----	-----	-----
		92,926	97,613	79,815	83,103
		-----	-----	-----	-----
Current assets					
Stock		53	11	50	-
Trade and other receivables	14	10,063	7,301	11,694	7,464
Cash and cash equivalents		2,913	2,272	6,114	5,717
		-----	-----	-----	-----
		13,029	9,584	17,858	13,181
Creditors - amounts falling due within one year	15	(16,421)	(13,738)	(15,953)	(12,798)
		-----	-----	-----	-----
Net current (liabilities)/ assets		(3,392)	(4,154)	1,905	383
		-----	-----	-----	-----
Total assets less current liabilities		89,534	93,459	81,720	83,486
		-----	-----	-----	-----
Creditors - amounts falling due after more than one year	16	(56,174)	(56,174)	(48,141)	(48,135)
		-----	-----	-----	-----
Provisions					
Pension provisions	20	(20,390)	(20,390)	(13,970)	(13,970)
Other provisions	21	(1,265)	(599)	(1,554)	(496)
		-----	-----	-----	-----
Total net assets		11,705	16,296	18,055	20,885
		-----	-----	-----	-----
Restricted reserves					
Income and expenditure reserve – restricted	25	1,525	1,525	1,525	1,525
		-----	-----	-----	-----
Unrestricted reserves					
Income and expenditure reserve - unrestricted		416	5,007	6,632	9,462
Revaluation reserve		9,764	9,764	9,898	9,898
		-----	-----	-----	-----
Total reserves		11,705	16,296	18,055	20,885
		-----	-----	-----	-----

The financial statements were approved by the members of the Cardiff and Vale Further Education Corporation on 11 December 2019 and were signed on its behalf by:



Mr G D Evans MBE
Chair of the Governing Body



Mr M James
Group Chief Executive



Mr M C Roberts
Group Chief Operating Officer

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

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Cash flow from operating activities		
Deficit for the year	(2,050)	(2,263)
<u>Adjustment for non-cash items</u>		
Depreciation and amortisation	5,258	4,956
Amortisation of capital grants	(822)	(787)
(Increase)/ Decrease in stock	(3)	2
Decrease in debtors	1,631	290
Decrease in provisions	(289)	(360)
(Decrease)/ Increase in creditors	(638)	1,552
Pension costs less contributions payable	1,750	940
<u>Adjustment for investing or financing activities</u>		
Pension finance cost	370	360
Investment income	(14)	(6)
Interest payable	1,807	1,676
Loss on disposal of fixed assets	49	-
Net cash inflow from operating activities	7,049	6,360
Cash flows from investing activities		
Proceeds from sales of fixed assets	-	-
Investment income	14	6
Payments made to acquire fixed assets	(16,974)	(3,665)
Acquisition of subsidiary undertakings (see note 13)	(2,412)	(1,654)
Capital grants received	652	-
	(18,720)	(5,313)
Cash flows from financing activities		
Interest paid	(1,785)	(1,634)
Interest element of finance lease rental payment	(22)	(42)
New loans secured	12,780	3,500
Repayments of amounts borrowed	(2,044)	(1,918)
Capital element of finance lease rental payment	(459)	(611)
	8,470	(705)
(Decrease)/ increase in cash and cash equivalents in the year	(3,201)	342
Cash and cash equivalents at beginning of the year	6,114	5,772
Cash and cash equivalents at end of the year	2,913	6,114

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

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

Period of account

These financial statements have been prepared for the year from 1 August 2018 to 31 July 2019.

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”), with the Accounts Direction 2018/19 issued by the Welsh Government and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has 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.

The deficit for the year ended 31 July 2019 of £2,050,000 (2018 – £2,263,000) included a £1,750,000 non-cash charge relating to the defined benefit scheme (see note 20), and £1,698,000 of goodwill amortisation in relation to the investment in ACT and ALS (see note 11), 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, and South East Wales City Region ATA Limited. The results of any subsidiaries acquired or disposed of during the year are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. The activities of the student union have not been consolidated because the College does not control these activities.

Stocks

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

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances at the bank and in hand, and short term, highly liquid investments with a maturity of 3 months or less from the date of acquisition

Recognition of income

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

Government capital grants are held as deferred income and recognised over the expected economic life of the asset purchased in accordance with the "accrual method" permitted by FRS 102. In accordance with the requirements of the 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&VPPF) a scheme operating under the Local Government Pension Scheme (LGPS) (administration and support staff) and the Teachers' Pension Scheme (TPS) (academic staff). Both these schemes are defined benefit schemes.

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

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.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

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.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Non-current assets - tangible fixed assets (continued)

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

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

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

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

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

Equipment

Equipment costing less than £1,000 per individual item is charged 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
Systems development (see note 11)	5

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

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 20, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. 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 14 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 13 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.

Fair value of other provisions

The value of the provision for the repayment of funding should the College be unable to provide appropriate evidence of the learning activity in relation to the College's activities in England has been included in the financial statements at the mid-point of the College's estimate of the likely range of outcomes.

Taxation

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

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

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 24.

2 WELSH GOVERNMENT GRANTS

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Recurrent grant	28,995	28,995	28,113	28,113
Work-based learning grant	40,723	7,145	36,805	7,434
Other Welsh Government grants	7,859	5,301	4,872	2,328
Amortisation of capital grant	822	822	787	787
	-----	-----	-----	-----
	78,399	42,263	70,577	38,662
	-----	-----	-----	-----

3 TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
<u>Tuition fees and charges</u>				
UK and EU – Further Education	359	359	376	376
UK and EU – Higher Education	1,944	1,944	1,807	1,807
Non EU – Further Education	913	913	953	953
	-----	-----	-----	-----
	3,216	3,216	3,136	3,136
	-----	-----	-----	-----
<u>Education contracts</u>				
14-19 learning pathways	1,676	137	1,254	155
Other education contracts – UK and EU	1,261	1,261	1,313	1,313
	-----	-----	-----	-----
	2,937	1,398	2,567	1,468
	-----	-----	-----	-----
	6,153	4,614	5,703	4,604
	-----	-----	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

4 OTHER INCOME

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Residencies, catering and conferences	527	-	577	497
Other income-generating activities	5,749	4,398	6,753	5,373
Other grant income	870	870	626	626
Other income	1,521	1,197	1,167	903
	-----	-----	-----	-----
	8,667	6,465	9,123	7,399
	-----	-----	-----	-----

5 INVESTMENT INCOME

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Other interest received	14	14	6	6
	-----	-----	-----	-----

6 GIFT AID INCOME FROM SUBSIDIARIES

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
From Associated Community Training Limited	-	3,482	-	2,443
From Apprenticeship Learning Solutions Limited	-	746	-	454
	-----	-----	-----	-----
	-	4,228	-	2,897
	-----	-----	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

7 STAFF COSTS

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Teaching and learning departments	27,050	22,218	24,158	19,908
Teaching and learning support services	2,740	2,082	3,025	1,938
Other support services	1,067	880	928	780
Administration and central services	8,589	4,157	8,018	3,856
Premises	1,245	990	1,191	962
Other income-generating activities	5,058	2,270	4,977	2,315
Enhanced pension charge/(credit) (note 21))	31	31	(15)	(15)
Voluntary redundancy costs	132	128	136	136
	-----	-----	-----	-----
	45,912	32,756	42,418	29,880
	-----	-----	-----	-----

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Wages and salaries	36,793	25,096	34,386	23,212
Social security costs	3,214	2,187	3,182	2,192
Pension costs (see note 20)	5,729	5,301	4,694	4,320
Increase in holiday pay accrual	44	44	20	20
Voluntary redundancy costs	132	128	136	136
	-----	-----	-----	-----
	45,912	32,756	42,418	29,880
	-----	-----	-----	-----

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

	2019		2018	
	Consolidated No.	College No.	Consolidated No.	College No.
Teaching and learning departments	665	478	612	442
Teaching and learning support services	67	41	98	40
Other support services	69	59	63	54
Administration and central services	199	59	213	59
Premises	38	26	39	26
Other income-generating activities	162	43	154	47
	-----	-----	-----	-----
	1,200	706	1,179	668
	-----	-----	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

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.

	2019	2018
	No.	No.
£60,001 to £70,000	7	8
£70,001 to £80,000	4	5
£80,001 to £90,000	2	3
£90,001 to £100,000	4	2
£120,001 to £130,000	2	3
£130,001 to £140,000	1	-
£210,001 to £220,000	-	1
£220,001 to £230,000	1	-
	-----	-----
	21	22
	-----	-----

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 2019 there were no such payments made to higher paid staff.

Higher paid staff emoluments (including the Group Chief Executive)

	2019	2018
	£'000	£'000
Salaries	1,824	1,760
Payments in lieu of pension contributions	29	21
Benefits in kind	22	20
	-----	-----
	1,875	1,801
Pension costs	246	252
	-----	-----
	2,121	2,053
	-----	-----

The pension costs in respect of the Group Chief Executive and higher-paid staff employed by the College 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 Group Chief Executive and other staff governors, received payments of £1,851(2018: £1,034) from the College for travel and subsistence expenses incurred in the course of their duties.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

8 HIGHER-PAID STAFF (continued)

Group Chief Executive emoluments

	2019	2018
	£	£
Salary	198,900	195,000
Payments in lieu of pension contributions	28,678	20,082
Benefits in kind	-	-
	-----	-----
	227,578	215,082
Pension costs	-	8,034
	-----	-----
	227,578	223,116
	-----	-----

9 OTHER OPERATING EXPENSES

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Teaching departments	2,366	1,616	2,251	1,342
<u>Teaching support services</u>				
• Examination fees	1,878	1,341	1,627	1,032
• Learner transport	120	100	474	432
• Other teaching support services	1,466	282	1,657	250
Other support services	45	45	54	54
Catering costs	533	133	575	520
Marketing	592	514	412	310
Administration and central services	2,716	1,221	2,163	890
Income generation costs	2,776	2,705	1,834	2,111
Premises costs	5,888	4,032	6,477	5,156
<u>Subcontracted provision</u>				
• Work-based learning	18,719	4,667	17,127	5,039
• Franchised courses	576	576	457	457
• Other subcontracts	4,094	2,219	3,237	1,729
	-----	-----	-----	-----
	41,769	19,451	38,345	19,322
	-----	-----	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

9 OTHER OPERATING EXPENSES (continued)

Other operating expenses include:

	Consolidated and College	
	2019	2018
	£'000	£'000
Auditors' remuneration		
External auditors		
- Audit of the financial statements	46	44
- Audit of the subsidiary financial statements	46	48
- Other services provided by external auditor	13	12
	-----	-----
	105	104
Internal auditors		
- Internal audit	26	36
- Other services provided by internal auditor	13	50
	-----	-----
	39	86
Operating lease rental		
- Land and buildings	639	1,073
- Other	136	323

10 INTEREST AND OTHER FINANCE COSTS

	2019		2018	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	1,785	1,780	1,363	1,363
Finance leases	22	19	42	22
Pension finance costs (note 20)	370	370	360	360
Enhanced pension provision (note 21)	8	8	15	15
Finance charge on deferred consideration	110	110	256	256
	-----	-----	-----	-----
	2,295	2,287	2,036	2,016
	-----	-----	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

11 INTANGIBLE ASSETS AND GOODWILL

Consolidated	Contractual customer relationships £'000	ACT brand £'000	Goodwill £'000	Systems development £'000	Total £'000
Cost					
At 1 August 2018	8,307	1,600	3,448	-	13,355
Additions	-	-	-	145	145
Adjustment to value of deferred consideration	-	-	1,444	-	1,444
Transferred from assets under construction	-	-	-	694	694
	-----	-----	-----	-----	-----
At 31 July 2019	8,307	1,600	4,892	839	15,638
	-----	-----	-----	-----	-----
Amortisation and impairment					
At 1 August 2018	1,453	281	509	-	2,243
Amortisation charge	1,052	202	444	28	1,726
	-----	-----	-----	-----	-----
At 31 July 2019	2,505	483	953	28	3,969
	-----	-----	-----	-----	-----
Net book value					
At 31 July 2019	5,802	1,117	3,939	811	11,669
At 31 July 2018	6,854	1,319	2,939	-	11,112

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

CARDIFF AND VALE COLLEGE**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019****NOTES TO THE FINANCIAL STATEMENTS**

11 INTANGIBLE ASSETS AND GOODWILL (continued)

College	Systems development £'000	Total £'000
Cost		
At 1 August 2018	-	-
Transferred from assets under construction	694	694
Additions	145	145
	-----	-----
At 31 July 2019	839	839
	-----	-----
Amortisation and impairment		
At 1 August 2018	-	-
Amortisation charge	28	28
	-----	-----
At 31 July 2019	28	28
	-----	-----
Net book value		
At 31 July 2019	811	811
At 31 July 2018	-	-

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

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

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

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

12 TANGIBLE ASSETS

Consolidated	Freehold land & buildings £'000	Plant, equipment & vehicles £'000	Computers & IT £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 August 2018	76,373	9,845	6,076	817	93,111
Additions	15,916	644	255	14	16,829
Disposals	(81)	(122)	(1,540)	-	(1,743)
Transfers	109	(3)	-	(800)	(694)
	-----	-----	-----	-----	-----
At 31 July 2019	92,317	10,364	4,791	31	107,503
	-----	-----	-----	-----	-----
Accumulated depreciation					
At 1 August 2018	14,058	5,652	4,698	-	24,408
Charge for the year	1,886	945	701	-	3,532
Disposals	(36)	(118)	(1,540)	-	(1,694)
	-----	-----	-----	-----	-----
At 31 July 2019	15,908	6,479	3,859	-	26,246
	-----	-----	-----	-----	-----
Net book value					
At 31 July 2019	76,409	3,885	932	31	81,257
At 31 July 2018	62,315	4,193	1,378	817	68,703

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 £397,000 (2018 - £1,071,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £387,000 (2018 - £409,000).

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

12 TANGIBLE ASSETS (continued)

College	Land & buildings	Plant, equipment & vehicles	Computers & IT	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 August 2018	75,573	7,250	6,075	817	89,715
Additions	15,880	451	255	14	16,600
Transfers	103	3	-	(800)	(694)
Disposals	(82)	(122)	(1,540)	-	(1,744)
	-----	-----	-----	-----	-----
At 31 July 2019	91,474	7,582	4,790	31	103,877
	-----	-----	-----	-----	-----
Accumulated depreciation					
At 1 August 2018	13,573	4,052	4,699	-	22,324
Charge for the year	1,841	760	701	-	3,302
Disposals	(36)	(118)	(1,540)	-	(1,694)
	-----	-----	-----	-----	-----
At 31 July 2019	15,378	4,694	3,860	-	23,932
	-----	-----	-----	-----	-----
Net book value					
At 31 July 2019	76,096	2,888	930	31	79,945
At 31 July 2018	62,000	3,198	1,376	817	67,391

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 £393,000 (2018 - £700,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £352,000 (2018 - £309,000).

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENTS

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

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

Investment in the ACT Group

The cost of the investment in the ACT group of £16,857,000 (2018: £15,712,000) includes an adjustment of £1,343,000 (2018: £174,000) made during 2018/19 to reflect additional deferred consideration which it is now considered likely will be payable due to performance conditions being met in the period, and a further adjustment of £101,000 relating to interest paid on deferred consideration. This has resulted in a corresponding increase to goodwill (see note 11).

Cash flows

The cash flows shows a total cash outflow of £2,412,000 (2018: £1,654,000) in respect of the acquisition of subsidiary undertakings. This comprises:

- £2,217,000 cash payments made in respect of ACT Limited contingent consideration (2018: £1,350,000); and
- £195,000 cash payments made in respect of ALS Limited contingent consideration.

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

14 TRADE AND OTHER RECEIVABLES

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Amounts falling due within one year:				
Trade receivables	6,486	1,585	7,157	1,342
Prepayments and accrued income	3,577	2,283	4,537	3,334
Amounts due from subsidiary undertakings	-	3,433	-	2,788
	-----	-----	-----	-----
	10,063	7,301	11,694	7,464
	-----	-----	-----	-----

The trade receivables balance presented above includes a provision for doubtful debt of £88,000 (2018: nil).

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

15 CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Bank loans (see note 17)	2,230	2,230	1,565	1,565
Obligations under finance leases	181	176	410	370
Trade payables	3,438	2,234	3,883	2,381
Other taxation and social security	1,374	1,005	1,400	1,053
Accruals and deferred income	4,442	3,737	4,037	3,019
Holiday pay accrual	695	695	651	651
Government capital grants	873	873	770	770
Other grants	395	395	328	328
Contingent consideration	2,692	2,393	2,301	2,106
Other creditors	101	-	608	555
	-----	-----	-----	-----
	16,421	13,738	15,953	12,798
	-----	-----	-----	-----

Contingent consideration is the net present value of potential future consideration payments relating to the acquisition of the ACT Group, including ALS (see note 13). 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.

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Deferred income	1,313	1,313	757	757
	-----	-----	-----	-----
	1,313	1,313	757	757
	-----	-----	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

16 CREDITORS- AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Bank loans (see note 17)	39,205	39,205	29,134	29,134
Obligations under finance leases	194	194	304	299
Government capital grants	16,775	16,775	17,048	17,047
Other grants	-	-	390	390
Contingent consideration	-	-	1,265	1,265
	-----	-----	-----	-----
	56,174	56,174	48,141	48,135
	-----	-----	-----	-----

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

	2019 £'000	2018 £'000
At 1 August	17,818	18,605
New grants received during the year	652	-
Grant released during the year	(822)	(787)
	-----	-----
At 31 July	17,648	17,818
	-----	-----

17 BORROWINGS

Bank loans

Bank loans are repayable as follows:

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Due within one year or on demand	2,230	2,230	1,565	1,565
Due between one and two years	5,758	5,758	1,591	1,591
Due between two and five years	6,992	6,992	8,470	8,470
Due in five years or more	26,455	26,455	19,073	19,073
	-----	-----	-----	-----
Total	41,435	41,435	30,699	30,699
	-----	-----	-----	-----

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

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

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

17 BORROWINGS (continued)

Bank loans (continued)

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

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

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, although with the option to extend for up to a total of five years, and incurs interest at a rate of one-month LIBOR + 1.5%.

Finance leases

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

	31 July 2019		31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
In one year or less	181	176	410	370
Between two and five years	194	194	304	299
	-----	-----	-----	-----
Total	375	370	714	669
	-----	-----	-----	-----

18 CONSOLIDATED RECONCILIATION OF NET DEBT

	At 1 August 2018	Cash flows	Non cash loan movement	New finance leases	At 31 July 2019
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	6,114	(3,201)	-	-	2,913
Debt due after one year	(29,134)	(12,141)	2,070	-	(39,205)
Debt due within one year	(1,565)	1,405	(2,070)	-	(2,230)
Finance leases	(714)	459	-	(120)	(375)
	-----	-----	-----	-----	-----
	(25,299)	(13,478)	-	(120)	(38,897)
	-----	-----	-----	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

19 LEASE OBLIGATIONS

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

	2019		2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Land and buildings				
Not later than one year	1,457	596	1,406	607
Later than one year and not later than five years	4,227	2,012	4,614	2,306
Later than five years	8,584	5,176	9,052	5,470
	-----	-----	-----	-----
	14,268	7,784	15,072	8,383
	-----	-----	-----	-----
Other				
Not later than one year	115	115	94	94
Later than one year and not later than five years	169	169	229	229
	-----	-----	-----	-----
	284	284	323	323
	-----	-----	-----	-----

20 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

	2019	2018
	£'000	£'000
Teachers' Pension Scheme: contributions paid	1,960	1,845
Local Government Pension Scheme:		
Contributions paid	1,560	1,550
FRS 102 (28) charge	<u>1,750</u>	<u>940</u>
	3,310	2,490
Enhanced pension credit (see note 21)	31	(15)
Defined contribution schemes: contributions paid	428	374
	-----	-----
Total pension cost for the year within staff costs	5,729	4,694
	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

20 PENSION PROVISIONS (continued)

College

	2019		2018
	£'000	£'000	£'000
Teachers' Pension Scheme: contributions paid		1,960	1,845
Local Government Pension Scheme:			
Contributions paid	1,560		1,550
FRS 102 (28) charge	<u>1,750</u>	<u>940</u>	
		3,310	2,490
Enhanced pension charge/ (credit) (see note 21)		31	(15)
		-----	-----
Total pension cost for the year within staff costs		5,301	4,320
		-----	-----

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 2016 and the C&VPF 31 March 2016.

At 31 July 2019 contributions amounting to £421,000 (2018 £396,000) were payable to the schemes and are included within creditors.

Teachers' Pension Scheme

Overview

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

The Teachers' Pension Budgeting and Valuation Account

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

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

20 PENSION PROVISIONS (continued)

Teachers' Pension Scheme (continued)

Valuation of the Teachers' Pension Scheme

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers now pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers paid at a rate of 16.48%.

Scheme changes

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

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, has rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

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

The pension costs paid to TPS in the year amounted to £1,960,000 (2018: £1,845,000).

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 2019 by a qualified independent actuary.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

20 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 2019	31 July 2018
RPI Inflation	3.2%	3.2%
CPI Inflation	2.2%	2.1%
Rate of increase in salaries	3.2%	3.1%
Rate of increase for pensions in payment	2.2%	2.1%
Rate of revaluation of pension accounts	2.2%	2.1%
Rate of increase to deferred pensions	2.2%	2.1%
Discount rate for liabilities	2.2%	2.8%

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 2019	31 July 2018
Retiring today:		
Male	22.1	23.1
Female	22.7	24.2
Retiring in 20 years:		
Male	24.5	25.8
Female	25.6	27.2

Asset split as a percentage of total assets

	31 July 2019	31 July 2018
Equities	64.9%	65.9%
Property	7.2%	6.5%
Government bonds	9.9%	10.5%
Corporate bonds	11.0%	10.2%
Cash	1.9%	1.7%
Other	5.1%	5.2%
	100.0%	100.0%

Analysis of the amount charged to the Statement of Comprehensive Income

	31 July 2019	31 July 2018
Amounts included in staff costs		
	£'000	£'000
Employer current service cost net of employee contributions	2,510	2,490
Past service cost- pension strain	20	-
Past service cost- McCloud Judgement	660	-
Past service cost- GMP indexation	120	-
	-----	-----
Total amount charged to the Statement of Comprehensive Income	3,310	2,490
	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

20 PENSION PROVISIONS (continued)

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

The cost calculated by the actuary includes estimates for the additional past service cost associated with the following issues:

- **McCloud Judgement (past service cost £660k)**- in December 2018 the Court of Appeal ruled in the 'McCloud/ Sargeant' judgement that the transitional protection arrangements put in place when the Firefighters' and Judges' pension schemes were reformed were age discriminatory. The Government has committed to extending a remedy across all public sector schemes which included similar transitional protection arrangements, which includes the LGPS. The actuary has calculated an approximate past service cost based on a sample of 12 employers with a 31 July 2019 accounting date, using the full membership data that was used in the 2016 valuations.
- **GMP indexation (past service cost £120k)**- 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. The actuary has calculated an approximate past service cost based on a sample of 10 typical employers with a 31 July 2019 accounting date.

Amounts included in interest payable

	31 July 2019	31 July 2018
	£'000	£'000
Net interest cost	370	360
	-----	-----

Amount recognised in Other Comprehensive Income

	31 July 2019	31 July 2018
	£'000	£'000
Asset gains arising in the year	1,180	1,370
Liability (increase)/ decrease arising in the year	(5,480)	780
	-----	-----
Total amount recognised in Other Comprehensive Income	(4,300)	2,150
	-----	-----

Net pension liability recognised on balance sheet

	31 July 2019	31 July 2018
	£000	£000
Fair value of College's share of scheme assets	41,050	37,420
Present value of defined benefit obligation relating to the College	(61,440)	(51,390)
	-----	-----
Net pension liability applicable to the College	(20,390)	(13,970)
	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

20 PENSION PROVISIONS (continued)

Movement in net pension liability during the year

	2019	2018
	£'000	£'000
At 1 August	(13,970)	(14,820)
Current service cost	(2,510)	(2,490)
Employer contributions	1,560	1,550
Past service cost	(800)	-
Net interest cost on assets	(370)	(360)
Actuarial (loss)/ gain	(4,300)	2,150
	-----	-----
At 31 July	(20,390)	(13,970)
	-----	-----

Movement in present value of defined benefit obligation

	2019	2018
	£'000	£'000
At 1 August	51,390	48,780
Current service cost	2,510	2,490
Past service cost	800	-
Interest expense	1,440	1,260
Remeasurement: actuarial loss/ (gain)*	5,480	(780)
Contributions by members	570	570
Benefits paid #	(750)	(930)
	-----	-----
At 31 July	61,440	51,390
	-----	-----

Movement in fair value of scheme assets

	2019	2018
	£'000	£'000
At 1 August	37,420	33,960
Interest income	1,070	900
Remeasurement: return on scheme assets less interest income	1,180	1,370
Contributions by employer	1,560	1,550
Contributions by members	570	570
Benefits paid #	(750)	(930)
	-----	-----
At 31 July	41,050	37,420
	-----	-----

*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 £428,000 (2018 - £374,000). Contributions payable to the Group's defined contribution pension schemes are charged to profit or loss in the period to which they relate.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

21 OTHER PROVISIONS

Consolidated	Enhanced pension	Redundancy	Deferred tax	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2018	391	105	72	986	1,554
Utilised in the year	(26)	(105)	-	(392)	(523)
Interest charged on provision (note 10)	8	-	-	-	8
Charge in the year	31	95	-	100	226
	-----	-----	-----	-----	-----
At 31 July 2019	404	95	72	694	1,265
	-----	-----	-----	-----	-----

College	Enhanced pension	Redundancy	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2018	391	105	-	496
Utilised in the year	(26)	(105)	-	(131)
Interest charged on provision (note 10)	8	-	-	8
Charge in the year	31	95	100	226
	-----	-----	-----	-----
At 31 July 2019	404	95	100	599
	-----	-----	-----	-----

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

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

Other provisions at 31 July 2019 reflect the following:

- Estimated costs associated with the settlement of the ACT Group's involvement, prior to its acquisition by the College, in 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 the scheme, taking into account the latest information received from HMRC regarding the settlement opportunity for the scheme.
- Estimate of potential future repayment of grant funding.

22 CAPITAL COMMITMENTS

The College had no contractual capital commitments at 31 July 2019 (2018 - £nil).

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

23 RELATED PARTY TRANSACTIONS

Group

During the year the group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 July, 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		
2019	246	40
2018	227	3
Purchases of goods and services from related parties		
2019	1,851	43
2018	1,841	109

College

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

Due to the nature of the College's operations and composition of the board of governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions, other than those disclosed in the financial statements, were identified which should be disclosed under FRS 102.

24 AGENCY RECEIPTS AND PAYMENTS

Financial contingency funds

	2019 £'000	2018 £'000
At 1 August	-	-
Welsh Government grants plus interest	644	644
Disbursements	(644)	(625)
Administration and publicity costs	-	(19)
	-----	-----
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.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

NOTES TO THE FINANCIAL STATEMENTS

24 AGENCY RECEIPTS AND PAYMENTS (continued)

Financial contingency funds (continued)

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

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 will be repaid to the Welsh Government. The total amount repaid to the Welsh Government in the year ended 31 July 2019 was £4,000 (2018: £24,000).

Apprenticeship Employer Incentive Programme

	2019	2018
	£'000	£'000
Balance at 1 August	7	-
Gross programme funding received	121	34
Incentive payments made to employers	(128)	(27)
	-----	-----
Balance at 31 July	-	7
	=====	=====

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

25 RESTRICTED RESERVE

The restricted reserve of £1,525,000 (2018 - £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.*