NPTC GROUP

Annual Report

for the year ended 31 July 2016

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the Group Leadership Team and were represented by the following in 2015/16:

Mark Dacey CEO; Accounting officer
Keith Booker, Deputy CEO and Principal of the Neath Port Talbot Campuses
Steve Doodson, Principal of the Powys Campuses
Kathryn Holley, Vice Principal: Financial Services
Catherine Lewis, Vice Principal: Corporate Services

Board of Governors

A full list of Governors is given on page 13 of these financial statements.

Mrs G Charnock and Mrs S Roberts acted as Governance Officers for the period.

Professional advisers

Financial statements auditors:

PricewaterhouseCoopers LLP
Institute of Life Science 1
Singleton Park
Swansea
SA2 8PP

Internal auditors:
RSM Risk Assurance Services LLP
Suite 205, Regus House
Malthouse Avenue
Cardiff Gate Business Park
Cardiff
CF23 8RU

Bankers:
Lloyds Banking Group
St William House
Tresillian Terrace
Cardiff
CF10 5BH

Santander
St William House
9 Queen Street
Cardiff
CF10 2UD

CONTENTS

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2016.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Neath Port Talbot College. The Group is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

Governors reviewed the Group's mission during 2015/16 and in January 2016 adopted a revised mission statement as follows:

"Inspiring learning, enriching lives, delivering success"

Strapline

"More than just an Education"

For the Group, the strapline conveys what students get as a whole package at the College. Students will get outstanding education and training, but they will also have access to all of the extra curricula activities, the sports, the clubs, the music and dance and much more.

Public Benefit

NPTC Group Corporation is an exempt charity under the Part 3 of the Charities Act 2011 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 page 13.

In setting and reviewing the Group'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 Group 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 covered throughout this Report of Governing Body

Implementation of Strategic Plan

In January 2016 the Group formally adopted a strategic plan for the period 1 August 2015 to 31 July 2019. This strategic plan includes property and financial plans. The Corporation monitors the performance of the Group against these plans. The plans are reviewed and updated each year. The Group's continuing strategic aims are to:

- To be an outstanding education and training provider.
- To be a key partner in strategic networks locally and nationally.
- To be a College delivering excellent teaching and learning.
- To be an enterprising and entrepreneurial College.
- To be a College that successfully prepares students for positive progression.
- To be a recognised lead in using technology.
- To be an employer of choice.
- To be the employers' choice for learning & engagement.
- To be a College that is helping to tackle poverty by improving economic prosperity.
- To be a College that promotes Welsh-medium and bilingual learning.

The Group is on target for achieving these objectives.

Finance Strategic Aims

The Group's financial strategic aims are:

- Ensuring long term financial viability with sustainable surpluses that are adequate for the Group needs
- Effective and fully coordinated financial planning.
- Effective financial management and control whilst delivering core services effectively.
- Ensuring that value for money is achieved in all activity.
- Targeting capital investment that supports all of the Group's strategies.
- Effective internal control and risk management.

A series of performance indicators, shown below, have been agreed to monitor the successful implementation of the policies.

Performance indicators

	2015/16	Target	Prior Year Comparison	Most Recent Nat. Comparator
OUTCOMES				
SUCCESS				
COMPLETION RATE	91%	92%	93%	91%
ATTAINMENT RATE	89%	93%	92%	94%
SUCCESSFUL COMPLETION RATE	81%	88%	84%	86%
A-LEVEL PASS RATE	99.2%	100%	99.6%	97.3%
STUDENT ATTENDANCE	91%	95%	90%	
VOLUMES				
FT FE ENROLMENTS (LAPS)	4,113	4,662	4,383	
HE ENROLMENT (PT &FT)	881	840	689	
FINANCE				
WG INCOME/TOTAL INCOME	67.17%	<70%	69.42%	78.80%
STAFF COSTS/TOTAL INCOME	59.41%	<70%	62.18%	62.00%
SURPLUS/TOTAL INCOME	0.93%		-3.12%	-0.01%
EBITDA/TOTAL INCOME	9.05%	>5%	4.87%	0.02%
CURRENT RATIO	1.71	>1.2	1.36	2.2
GEARING (excl pension liability in brackets)	67.4% (18.5%)		38.2% (20.7%)	28.8% (15.1%)
CASH BALANCE	£8.6M		£8.1M	£5.3M
CASH DAYS	69 days	> 45 days	62 days	61 days
CAPITAL INVESTMENT/INCOME	2.70%	5%	1.95%	9.4%
PEOPLE				
COMPLAINTS RECEIVED	46		101	
STAFF WELSH LANGUAGE STATISTICS	20.48%		-	
STAFF HEADCOUNT (per ONS return)	882		843	
SICKNESS ABSENCE STATISTICS	3.16%		3.03%	3.90

The Group is committed to observing the importance of sector measures and indicators and uses the data collated by Welsh Government after submission of the annual Finance Record by Colleges. The Group undertook a self-assessment of Financial Health using the Welsh Government guidelines and concluded that the Group has a "Good" financial health grading.

FINANCIAL POSITION

Financial results

The Group generated a surplus before other gains and losses in the year of £419,000 (2014/15 restated for FRS102– deficit of £1,433,000), with total comprehensive income of (£7,861,000), (2014/15 restated for FRS 102- (£4,233,000)). The total comprehensive income in 2015/16 is stated after accounting for the significant actuarial loss in the Local Government Pension Scheme.

The Group has accumulated reserves of £8,863,000 and cash and cash equivalent balances of £8,559,000. The Group wishes to continue to accumulate reserves and cash balances in order to create funds for future investment.

The Group has significant reliance on the Welsh Government as its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 67% of the Group's total income. This was in the face of significant cuts in recurrent Further Education funding for the 2015/16 academic year that the Group has managed mainly through staff cost reductions and increased efficiency of working. The strategy to manage the cuts that was approved by the Corporation Board has been difficult to achieve but ultimately been successful through the hard work and dedication of all Group staff.

The Group has four trading subsidiary companies, Language Specialists (International) Limited, Llandarcy Park Limited ('LPL'), Gwendraeth Valley Community Enterprises Limited t/a Jobforce Wales and Learnkit Limited. The principal activities are respectively, English language training, a sports centre and two work based learning providers. Any eligible surpluses generated by the subsidiaries are donated to the College under gift aid rules. In the current year, the combined contribution of the subsidiaries, before amortisation of goodwill was £80,000 (2015: £851,000).

The reduction in the contribution of the subsidiary companies has been largely due to the deficit earned by Language Specialists (International) Limited (LSI) following a difficult trading year for English language schools. This has been the result of various geo-political and global economic factors impacting upon demand such as: the EU referendum in the UK where the campaign and the outcome has led to potential European students believing they would be unwelcome in the UK; the increasing difficulty non-EU students are having with the UK Border Agency in obtaining visas to come to the UK to study; the reduction in oil prices subduing the demand in the UAE; the continuing instability in the middle-east and North Africa; the slowdown of the Chinese economy that had been a growing market; and the high terror threat status of the UK which also reduced the popularity of the country to overseas students. While LSI had worked to diversify the student mix to mitigate against the risk of issues with particular geographical regions, there has been a 'perfect storm' of those issues occurring simultaneously. LSI has outperformed the sector at this time, with a lower reduction in student numbers and they have seen student growth in the post year end period, with the weak pound helping to stimulate demand.

Treasury policies and objectives

Treasury management is the management of the Group'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.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

Cash flows and liquidity

At £2.1 million (2015 £2.3 million), net cash flow from operating activities was reasonably strong.

The size of the Group's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has delivered activity that has produced £25,208,000 in funding body main allocation funding for further education. (2014/15 – £26,195,000).

Student achievements

Students at NPTC Group of Colleges have booked their places at some of the top universities in the country, including Oxford following another successful year with A Level and Extended Diploma Qualification results.

For the 11th year in succession, the overall pass rate (99.2 per cent) exceeded 99 per cent. In 40 subjects out of the 44 offered, students achieved a remarkable 100 per cent pass rate. Forty-eight per cent of the students sitting A Level exams achieved A* to B grades and 75 per cent of students achieved A* to C grades. The pass rate at the College has once again exceeded the national benchmark and staff are proud of the students who followed the Gifted and Talented programme (GATE) at Neath Port Talbot Sixth Form Academy where 100 per cent of students gained A* to B grades and 71 per cent of those students achieved A* or an A grade. In addition, 85 students achieved an excellent outcome of triple distinction grades in the Extended National Diploma qualifications, with 17 students achieving the highest possible grade profile of D*D*D*. More than 250 students undertook the Welsh Baccalaureate Advanced Diploma with 79 per cent achieving A*/A grades.

The College's Plastering section attended the Plaisterers' Training awards in London where they were formally recognised as being the best provider in Wales and having the highest success rates at level 2 and level 3 in Plastering throughout the UK and during the presentation it was also announced that that they had won the John G Robinson Trophy for the best overall performing College in the UK. This is the second consecutive year that the Plastering Section has been recognised as the best provider in the UK

During the year students take part in a number of competitions covering a variety of study areas and skills. Among the highlights was plastering student Josh Wells who made it through to the WorldSkills UK final in Birmingham. Covering five different industry sectors, The Skills Show is the UK's largest skills and careers event. Each year, the event holds the WorldSkills UK final, a competition covering over 50 different skill areas - from construction and engineering to creative industries and hospitality.

From the School of Health, Social and Childcare Care student Hannah Westermark was awarded the Worshipful Livery of Wales Award 2016. Hannah was presented with the School's Award for Arts, Science and Technology by the Worshipful Livery Company along with a £250 cheque, which will go towards books and course materials.

Curriculum developments

- The College is continually reviewing and revising the curriculum on offer to ensure that it is fulfilling the needs of the local community and meeting Welsh Government Priorities. The College invests annually in a Curriculum Development Fund (CDF) to allow new curriculum proposals to be thoroughly investigated and progressed where appropriate. The College has recently invested in regularly updated Labour Market Intelligence tools to help inform the development of courses that help learners progress to employment in the local area as well as providing the skills that the local economy requires.
- NPTC Group continues to delivers courses to over 1000 14-16 pupils a week as part of the 14-19 Learning Pathways agenda. These pupils access courses in a wide range of vocational settings which also involves a fair amount of cross border collaboration and 99 % of the Year 11 pupils passed their qualifications in 2015/16.
- The delivery of Welsh Baccalaureate qualifications has continued to progress and advanced level results are amongst the best in Wales based on sector averages. In 2015/16 in readiness for meeting Welsh Government targets the College further expanded the delivery of WBQ across a wide range of curriculum areas.

- For Higher Education the College continues to investigate various alternative and supplementary arrangements with all HE Partners to ensure that there will continue to be accessible Higher Education provision available to the local community.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College paid 51 per cent (2014/15 45%) of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Future prospects

Following the allocation of 50% funding from Welsh Government, the Group is about to embark upon a £3 million upgrade of the A/B Block on the Neath Campus, to modernise the look of the College, improve the quality of the 6th Form Academy classrooms and to provide additional space for flexible learning and for socialisation, with a coffee shop. The refurbishment will also improve accessibility for all students and enhance the student services function available to learners. All of this will enhance the student experience to improve applications, enrolments and retention in the College.

In respect of other capital developments, some of the same projects that were reported last year are awaiting funding to progress further. These were:

- A new campus in Port Talbot as part of the Harbourside development and the town regeneration scheme (including the new £110m peripheral distributor road and the new £10m parkway station). This proposal has "Category B" approval from the Welsh Government for capital funding.
- Hafren in Newtown (a 556 seat capacity receiving theatre) has secured funding from Arts Council Wales for a comprehensive business case and design study for a project to develop Hafren to create the full arts hub that north Powys needs. Whilst the Group has in principal agreement for a substantial proportion of the capital funding from Arts Council Wales the proposal has "Category C" rating from the Welsh Government for capital funding.

As well as seeking government funding for these projects, the Group is also investigating various other options to fund these developments that would enhance the facilities available to the students.

The Corporation Board has continued to endorse the broad Group strategy of controlled expansion during a time of economic constriction. This strategy is to ensure that a stronger and more financially independent organisation is developed, rather than one that retreats into a much reduced offer of core activity. This strategy requires a commercialisation of the College across a number of areas that are consistent with our core values and aims. The Group is continually seeking new opportunities locally, nationally and internationally in order to achieve this. Nevertheless, the College continues to aim to improve efficiency across all areas of the College site, with various schemes to address energy conservation and cost reduction; understanding the importance of maximising the benefits obtained from the reducing resources available from Welsh Government for further education in the current economic climate.

Going Concern

The Group believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks. The Group's forecasts and financial projections indicate that it will be able to operate within its existing lending facilities and covenants for the foreseeable future.

Accordingly the Group has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

RESOURCES:

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

Tangible resources include the 10 College campuses across four counties in Wales, including two theatres, a working farm, and an extensive sports centre, a 10 storey building in central Portsmouth and c.50 acres of land in various locations available for development.

Financial

The Group has £8.9 million of net assets after including £23.3 million pension liability (2015: £16.7 million net assets including £14.2 million pension liability) and long term debt of £5.583 million (2015: £6.305 million).

People

The Group employs 778 people (expressed as full time equivalents), of whom 456 are teaching staff.

Reputation

The Group and its subsidiary companies have a good reputation locally, nationally and internationally. Maintaining a quality brand is essential for the Group's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

The Group has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the Group's assets and reputation.

Based on the strategic plan, the Finance & Risk Management Group undertakes a comprehensive review of the risks to which the Group is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the Group. The internal controls are then implemented and the ongoing appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Finance & Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the Group.

A risk register is maintained at the Group level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by a risk management training programme to raise awareness of risk throughout the Group.

Outlined below is a description of the principal strategic risk factors that may affect the Group. Not all the factors are within the Group's control. Other factors besides those listed below may also adversely affect the Group.

- Failure to achieve FE funding targets resulting in claw back of funding and financial loss.
- Inadequate capital investment available to support strategic and operational objectives.
- Commercial ventures do not generate the contributions expected to the Group, with particular focus on the impact of global political and economic factors on LSI
- Failure to make surpluses prevents the Group from being able to fund future capital investment.
- Failure to recruit suitably qualified and experienced staff leading to ongoing vacancies and poor service delivery.
- Significant failure of IT infrastructure adversely affecting students and staff.
- The future funding requirements of the Local Government Pension Scheme grow to such an extent as to require contraction of provision in order to avoid Group deficits.

The Group management take a prudent view of the strategic risk register and score and report on a 'worst case scenario' to ensure false comfort is not taken. All of the risks identified continue to be actively managed and monitored by the Audit Committee.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, NPTC Group has many stakeholders. These include:

- students;
- Welsh Government;
- staff;
- local employers;
- Local Authorities;
- the local community;
- other FE institutions;
- HE institutions;
- trade unions;
- the local voluntary sector;
- local schools
- locally elected political representatives (MP's, AM's, MEP's);
- UK Border Agency;
- sector skills councils;
- the Arts Council, Wales; and
- professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

Equality & Diversity

The Group is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality & Diversity Policy is published on the College's Intranet site.

The Group aims to ensure that all students, staff and other Group users are treated with equity regardless of having, or being perceived as having, any of the protected characteristics namely age, disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation.

The Group published a Strategic Equality Plan in April 2012 for the period 2012 to 2016 in line with the requirements of The Equality Act 2010. The Strategic Equality Plan was developed following a series of consultation activities with learners, members of staff and key external stakeholders. The Strategic Equality Plan outlines a series of equality objectives which are focused on the protected characteristics as identified as part of The Equality Act 2010. The Group continues to work towards achieving those objectives within the specified timeframe.

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 Group'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 Group's auditors are aware of that information.

Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:

James Hehir

Vice Chair of the Corporation ____________________

Date 15/12/16

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the Group to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2015 to 31 July 2016 and up to the date of approval of the annual report and financial statements.

The Group endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
ii. having due regard to Code of Good Governance for Colleges in Wales.

The Group is committed to exhibiting best practice in all aspects of corporate governance and in particular the Group has adopted and is working towards ensuring full compliance with the Code. In the opinion of the Governors, the Group complies with the majority of the provisions of the Code, and it has complied with those provisions throughout the year ended 31 July 2016 and up to the date the accounts were signed. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The Group is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below.

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance *
Mr L Bradley	25.11.15	1 year	31.07.16	Student		63%
Mr J Brunt	28.04.16	4 years		Business	Finance & General Purposes	100%
Mr T Burgoyne	06.11.15	4 yrs		Staff Member	Audit; Learning & Performance	63%
Mr G Cragg	10.12.98	2yrs 4th term		Business	Finance & General Purposes; Search & Governance; Remuneration	75%
Mr M Dacey	01.05.04	Ex officio		CEO	Finance & General Purposes; Human Resources; Search & Governance	100%
Mr S Dickerson	06.11.15	4yrs 2nd term		Staff Member	Finance & General Purposes; Learning & Performance	88%
Mr K Goodley	16.12.04	4yrs 4th term		Community	Audit; Learning & Performance	38%
Mrs J Harding	22.10.08	4yrs 3rd term		Community	Human Resources	88%
Mr S Harries	24.06.09	4yrs 2nd term		Business	Audit; Remuneration	38%
Mr J Hehir	29.03.06	4yrs 3rd term		Business	Corporation Board Vice Chair; Audit; Search & Governance.	38%
Mrs M Ifans	08.06.11	4yrs 2nd term		Business	Human Resources; Learning & Performance	88%
Mrs R Lawrence	01.04.97	4yrs 5th term	31.07.16	Business	Search & Governance	75%
Mr M Harvey	28.04.16	4 years		Co-opted Advisor	Audit	67%
Prof D Mead	14.02.07	4yrs 3rd term		Co-opted	Appointments; Audit (Chair); Learning & Performance	75%

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance *
Mr S Mohammed	14.02.07	4yrs 3rd term		Community	Learning & Performance (Chair)	38%
Mrs H Morgan	08.06.11	4yrs 2nd term		Co-opted	Finance & General Purposes; Learning & Performance	75%
Mr G Pullen	08.06.11	4yrs	25.11.15	Business	Finance & General Purposes	100%
Mrs G Richards	30.03.11	4yrs 2nd term		Business	Appointments (Chair); Corporation Board (Chair); Finance & General Purposes (Chair); Remuneration (Chair)	88%
Mrs P Vine	24.03.10	4yrs 2nd term		Co-opted	Search & Governance	63%
Mrs G Charnock acts as the Governance Officer, with Mrs S Roberts acting as maternity cover for the period April – July 2016						

*Attendance at Corporation Board

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the Group together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets at least once each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance and General Purposes, Remuneration, Learning & Performance, Human Resources, Search and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.nptcgoup.ac.uk or from the Governance Officer at:

NPTC Group, Neath Campus
Dwr Y Felin Road
Neath
SA10 7RF

The Governance Officer maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the Group's expense and have access to the Governance Officer, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Governance Officer are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are provided on an ad hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer are separate.

The Corporation Board is in the process of adopting the new Code of Good Governance for Colleges in Wales, to ensure that the organisation is conducting its business in the best interest of its students and funders.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee, consisting of three members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

During the academic year three members of the Board have been appointed and three members have retired.

Corporation performance

The attendance target for the Corporation Board and the Committees for 2015-16 was 75%. The total Corporation attendance rate for 2015-16 was 82%. The total Corporation attendance rate for 2014-15 was 75%.

The breakdown of the 2015-16 attendance figures are as follows:
Search & Governance 93%; Human Resources 92%; Learning & Performance 86%; Finance & General Purposes 53%; Audit 84%; Remuneration 100% and Corporation Board 66%.

Five out of six Committees attained the target of 75% attendance. The Finance & General Purposes Committee had the lowest attendance, attaining 53% attendance which was mainly due to the mid-year resignation of a Board member. The Corporation Board was below the 75% attendance target, attaining 66% attendance. The low attendance is mainly due to the absence and mid-year resignation of a Board member.

Overall, twelve out of 18 Members who served for part or all of the 2015/2016 academic year achieved the target attendance of 65%, with seven Members achieving over 80% attendance and three Members achieved 100% attendance.

Remuneration Committee

Throughout the year ending 31 July 2016 the College's Remuneration Committee comprised three members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2016 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises five members of the Corporation (excluding the Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the Group's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of Group management. The Committee also receives and considers reports from the main FE funding bodies as they affect the Group's business.

The Group's internal auditors review 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 is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the Group'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 CEO, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Group's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between NPTC Group and the Welsh Government. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Group 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 NPTC Group for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the Group is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the Group's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body;
- regular reviews by the governing body of periodic and annual financial reports which indicate 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.

NPTC Group has an internal audit service, which operates in accordance with the requirements of the Welsh Government's Further Education Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the Group is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At a minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the Group. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Group's system of risk management, controls and governance processes.

The scheduled work undertaken by the internal audit service during 2015/16 concluded that governance and risk management arrangements and the overall internal framework have been well controlled.

One area was subjected to a review outside of the internal audit plan for the year, after management raised a concern to the Audit Committee regarding the reliability of the College's student data reporting following the transition to a new data management system. Exercising due scrutiny, the Audit Committee requested a specific additional audit into the matter by the internal audit service and accordingly received a report with recommendations along with a management action plan to address the issues identified. An early follow up internal audit was requested by the Audit Committee to ensure the matter was being resolved and that was completed in November 2016. The follow up internal audit concluded that good progress had been demonstrated in implementing the agreed management actions.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors;
- the work of the executive managers within the Group who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the financial statement auditors in their management letters and other reports.

The Accounting Officer has been 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 other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the Group has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

Going concern

After making appropriate enquiries, the Corporation considers that the Group 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.

Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:

Signed __________	**Signed** __________
Date 15/12/16	**Date** 15/12/16
James Hehir, Vice-Chair of the Corporation	**Mark Dacey, CEO**

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

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

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

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

………………………………	………………………………
Mark Dacey	**James Hehir**
Accounting Officer	**Vice-Chair of Governors**
15 December 2016	**15 December 2016**

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum between the Welsh Government and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2015 to 2016* issued by the Welsh Government, and which give a true and fair view of the state of affairs of the Group and the result for that year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Group will continue in operation.

The Corporation is also required to prepare a Report of the Governing Body which describes what it is trying to do and how it is going about it, including the legal and administrative status of the Group.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Welsh Government and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Welsh Government are used only in accordance with the Financial Memorandum with the Welsh Government and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the Group's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Welsh Government are not put at risk.

Approved by order of the members of the Corporation on and signed on its behalf by:

Signed ______________ Date 15/12/16

James Hehir, Vice-Chair of the Corporation

Independent auditors' report to the Corporation of NPTC group (the "Institution")

Report on the financial statements

Our opinion

In our opinion, NPTC group's consolidated 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 2016, 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;
- 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.

What we have audited

The financial statements, included within the annual report (the "Annual Report"), comprise:

- the consolidated and parent institution Balance Sheets as at 31 July 2016;
- the consolidated and parent institution Statement of Comprehensive Income for the year then ended;
- the consolidated and parent institution 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.

The financial reporting framework that has been applied in the preparation of the financial statements is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). In applying the financial reporting framework, the Corporation has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

Responsibilities for the financial statements and the audit

Respective responsibilities of the Corporation and auditors

As explained more fully in the Statement of Responsibilities of the Members of the Corporation the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK and Ireland"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the institution's Corporation as a body in accordance with Article 18 of the Group'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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group and parent institution's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Corporation; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Corporation's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Swansea

30 December 2016

Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
				Restated	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	30,196	29,002	31,901	30,077
Tuition fees and education contracts	3	8,881	5,536	8,233	3,912
Other grants and contracts	4	71	71	118	118
Other income	5	5,788	3,754	5,685	5,526
Investment income	6	21	18	17	13
Total income		44,957	38,381	45,954	39,646
EXPENDITURE					
Staff costs	7	26,711	23,594	28,572	25,407
Fundamental restructuring costs	7	50	43	1,592	1,592
Other operating expenses	8	14,109	10,885	13,380	10,371
Depreciation	11	2,598	2,236	2,675	2,366
Amortisation	10	277	-	277	-
Interest and other finance costs	9	776	775	721	720
Total expenditure		**44,521**	**37,533**	**47,217**	**40,456**
Surplus / (deficit) before other gains and losses		**436**	**848**	**(1,263)**	**(810)**
Loss on disposal of assets	8	(17)	-	(170)	(170)
Surplus / (deficit) for the year		**419**	**848**	**(1,433)**	**(980)**
Actuarial loss in respect of pensions schemes	24	(8,280)	(8,280)	(2,800)	(2,800)
Total Comprehensive Income for the year		**(7,861)**	**(7,432)**	**(4,233)**	**(3,780)**
Represented by:					
Unrestricted comprehensive income		**(7,861)**	**(7,432)**	**(4,233)**	**(3,780)**

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Restated Balance at 1st August 2014	**15,760**	**5,197**	**20,957**
Surplus/(deficit) from the income and expenditure account	(1,433)	-	(1,433)
Other comprehensive income	(2,800)	-	(2,800)
Transfers between revaluation and income and expenditure reserves	186	(186)	-
Total comprehensive income for the year	(4,047)	(186)	(4,233)
Balance at 31st July 2015	**11,713**	**5,011**	**16,724**
Surplus/(deficit) from the income and expenditure account	419	-	419
Other comprehensive income	(8,280)	-	(8,280)
Transfers between revaluation and income and expenditure reserves	186	(186)	-
Total comprehensive income for the year	(7,675)	(186)	(7,861)
Balance at 31 July 2016	**4,038**	**4,825**	**8,863**
College			
Restated Balance at 1st August 2014	**17,089**	**5,197**	**22,286**
Surplus/(deficit) from the income and expenditure account	(980)	-	(980)
Other comprehensive income	(2,800)	-	(2,800)
Transfers between revaluation and income and expenditure reserves	186	(186)	-
Total comprehensive income for the year	(3,594)	(186)	(3,780)
Balance at 31st July 2015	**13,495**	**5,011**	**18,506**
Surplus/(deficit) from the income and expenditure account	848	-	848
Other comprehensive income	(8,280)	-	(8,280)
Transfers between revaluation and income and expenditure reserves	186	(186)	-
Total comprehensive income for the year	(7,246)	(186)	(7,432)
Balance at 31 July 2016	**6,249**	**4,825**	**11,074**

Balance sheets as at 31 July

	Notes	Group	College	Group Restated	College
		2016	2016	2015	2015
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible Fixed assets	10	1,344	-	1,621	-
Tangible Fixed assets	11	42,971	38,126	44,533	39,315
Investments	12	-	8,302	-	8,302
		44,315	**46,428**	**46,154**	**47,617**
Current assets					
Stocks	13	256	250	269	267
Trade and other receivables	14	3,583	3,834	3,841	5,187
Cash and cash equivalents	19	8,559	7,098	8,086	5,105
		12,398	**11,182**	**12,196**	**10,559**
Less: Creditors – amounts falling due within one year	15	(7,243)	(5,948)	(8,940)	(7,025)
Net current assets		**5,155**	**5,234**	**3,256**	**3,534**
Total assets less current liabilities		**49,470**	**51,662**	**49,410**	**51,151**
Creditors – amounts falling due after more than one year	16	(15,629)	(15,610)	(16,897)	(16,856)
Provisions					
Defined benefit obligations	18	(23,340)	(23,340)	(14,160)	(14,160)
Other provisions	18	(1,638)	(1,638)	(1,629)	(1,629)
Total net assets		**8,863**	**11,074**	**16,724**	**18,506**
Unrestricted Reserves					
Income and expenditure account		4,038	6,249	11,713	13,495
Revaluation reserve		4,825	4,825	5,011	5,011
Total unrestricted reserves		**8,863**	**11,074**	**16,724**	**18,506**

The financial statements on pages 22 to 48 were approved and authorised for issue by the Corporation on 15 December 2016 and were signed on its behalf on that date by:

Signed ____________________

James Hehir, Vice-Chair of the Corporation

Signed ____________________

Mark Dacey, CEO

Consolidated Statement of Cash Flows

	Notes	2016	Restated 2015
		£'000	£'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		419	(1,433)
Adjustment for non-cash items			
Depreciation and amortisation		2,875	2,952
Decrease/(increase) in stocks		13	(12)
Decrease in debtors		258	2,483
Increase in creditors due within one year		(1,743)	(2,081)
Increase in creditors due after one year		(798)	(849)
(Increase)/decrease in provisions		(47)	17
Pensions costs less contributions payable		410	390
Adjustment for investing or financing activities			
Investment income		(21)	(17)
Interest payable		776	721
Loss on sale of fixed assets		17	170
Net cash flow from operating activities		2,159	2,341
Cash flows from investing activities			
Proceeds from sale of fixed assets		161	-
Investment income		21	17
Payments made to acquire fixed assets		(832)	(896)
		(650)	(879)
Cash flows from financing activities			
Interest paid		(223)	(310)
Interest element of finance lease rental payments		(7)	(1)
Repayments of amounts borrowed		(722)	(718)
Capital element of finance lease rental payments		(84)	(30)
		(1,036)	(1,059)
Increase in cash and cash equivalents in the year		**473**	**403**
Cash and cash equivalents at beginning of the year	19	8,086	7,683
Cash and cash equivalents at end of the year	19	8,559	8,086

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016 issued by 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 therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies.

Transition to the 2015 FE HE SORP

The Group is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the Group has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the Group is provided in note 27.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- At 1 August 2014 the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value

- The Group has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the Group balance sheet discloses cash at both the current and preceding reporting dates.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Language Specialists(International) Limited, Llandarcy Park Limited, Gwendraeth Valley Community Enterprises Limited t/a Jobforce Wales and Learnkit Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period 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. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2016.

Going concern

The activities of the College and Group, 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 and Group, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College and Group currently have £5.6 m of loans outstanding with bankers.

The College and Group's forecasts and financial projections indicate that it will be able to operate within existing facilities and covenants for the foreseeable future.

Accordingly the College and Group have a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Consortium Income

The College is the lead partner in a consortium to deliver Work Based Learning. The income included in these accounts is earned by the institution in its capacity as a provider and consortium lead. All other income relating to the consortium and payable to consortium members has been excluded from the accounts.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account.

Grants from non-government sources are recognised in income when the Group is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the Group is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors. Where the amount of tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Income from the sale of goods or services is credited to the statement of consolidated income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

All income from short-term deposits is credited to the statement of consolidated income in the period in which it is earned.

Gift aid is accounted for on a receivable basis.

All income arises in the UK.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of 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 plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in statement of consolidated income.

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 Group. Any unused benefits are accrued and measured as the additional amount the Group 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 a 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 Group's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Freehold Buildings – 50 years
- Refurbishments – 10 years

Freehold land is not depreciated.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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.

On adoption of FRS 102, the Group followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £500 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- Plant & equipment 6 years
- motor vehicles 5 years
- computer and office equipment 5 years
- farm equipment 10 years

Intangible assets and goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired entity at the date of the acquisition. Goodwill is amortised on a straight line basis over its estimated useful life of 10 years. The estimated useful life is based on the period over which the group is expected to derive economic benefits from the assets.

Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the assets (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to be a recoverable amount. An impairment loss is recognised in the statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements..

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Cost of farm stock is estimated at net realisable value less 15% in accordance with accepted agricultural valuation practice. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

Taxation

The Group is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The Group is partially exempt in respect of Value Added Tax, so that it can only recover around 73% of the 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 Group's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

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 Group 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, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

  Tangible fixed assets 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 24, 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 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent Welsh Government grants				
FE funding grant	25,208	25,208	26,195	26,195
Work Based Learning (Note 2a)	3,664	2,470	4,425	2,601
Specific grants				
Release of government capital grants	718	718	787	787
Other specific grants	606	606	494	494
Total	**30,196**	**29,002**	**31,901**	**30,077**

The College is the lead partner in a consortium to deliver Work Based Learning. The income included in these accounts is earned by the institution in its capacity as a provider and consortium lead. All other income relating to the consortium and payable to consortium members has been excluded from the accounts. Total income claimed in the year and the related payments to partners was as follows:

2a Consortium Income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Total income	8,324	8,324	10,331	10,331
Payments to FE partners	(2,160)	(2,160)	(2,421)	(2,421)
Payments to non FE partners	(2,500)	(3,694)	(3,485)	(5,309)
Net income attributable to the Group & College	**3,664**	**2,470**	**4,425**	**2,601**

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Tuition fees	3,709	3,709	2,067	2,067
Cost recovery courses	459	456	397	397
Examination fees	71	71	229	47
Registration fees	90	49	114	73
International students fees	3,321	20	4,130	32
Total tuition fees	7,650	4,305	6,937	2,616
Education contracts	1,231	1,231	1,296	1,296
Total	**8,881**	**5,536**	**8,233**	**3,912**

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
European Commission	71	71	118	118
Total	**71**	**71**	**118**	**118**

5 Other income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	1,000	683	955	779
Other income generating activities	4,258	2,730	4,323	4,404
Other grant income	450	261	345	281
Non-government capital grants	80	80	62	62
Total	**5,788**	**3,754**	**5,685**	**5,526**

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	1	1	-	-
Other interest receivable	20	17	17	13
Total	**21**	**18**	**17**	**13**

7 Staff costs

The average number of persons (including key management personnel) employed by the Group and College during the year, described as full-time equivalents, was:

	2016	2016	2015	2015
	Group	College	Group	College
	No.	No.	No.	No.
Teaching staff	456	456	524	524
Non-teaching staff	322	221	399	275
Total	**778**	**677**	**923**	**799**

Staff costs for the above persons	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	21,203	18,366	23,605	20,697
Social security costs	1,673	1,437	1,677	1,463
Other pension costs (Note 24)	3,407	3,364	3,290	3,247
Payroll sub total	26,283	23,167	28,572	25,407
Contracted out staffing services	428	427	-	-
	26,711	**23,594**	**28,572**	**25,407**
Fundamental restructuring costs	50	43	1,592	1,592
Total Staff costs	**26,761**	**23,637**	**30,164**	**26,999**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and College and are represented by the Executive Management Team which comprises the CEO, Deputy CEO, Principal of the Powys Campuses, Vice Principal: Financial Services, Vice Principal: Corporate Services.

Emoluments of Key management personnel, Accounting Officer and other higher paid staff

	2016	2015
	No.	No.
The number of key management personnel including the Accounting Officer was:	5	5

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

	Key management personnel		Other staff	
	2016	2015	2016	2015
	No.	No.	No.	No.
£60,001 to £70,000 p.a.	-	-	7	7
£70,001 to £80,000 p.a.	-	-	-	-
£80,001 to £90,000 p.a.	3	3	-	-
£90,001 to £100,000 p.a.	1	1	-	-
£120,001 to £130,000 p.a.	-	-	-	-
£140,001 to £150,000 p.a.	1	1	1	1
	5	5	8	8

Key management personnel emoluments are made up as follows:

	2016	2015
	£	£
Salaries	495,894	492,924
Benefits in kind	-	-
	495,894	492,924
Pension contributions	77,514	70,531
Total emoluments	573,408	563,455

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

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

	2016	2015
	£	£
Salaries	144,997	142,030
Benefits in kind	-	-
	144,997	142,030
Pension contributions	23,608	20,026

The members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

8 Other operating expenses

	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	5,209	5,209	5,339	5,339
Non-teaching costs	5,708	3,036	4,816	2,353
Premises costs	3,192	2,640	3,225	2,679
Total	**14,109**	**10,885**	**13,380**	**10,371**

Other operating expenses include:	2016	2015
	£'000	£'000
Depreciation	2,598	2,676
Amortisation	277	277
Auditors' remuneration:		
External auditors- audit of College	26	26
External auditors- audit of subsidiaries	30	30
External auditors- regulatory services	11	11
External auditors- taxation services	17	20
Internal audit*	28	32
Losses on disposal of non-current assets	17	170
Hire of assets under operating leases	183	284

* Includes £25,000 (2015: £29,000) in respect of the College

9 Interest and other finance costs

	2016 Group £'000	2016 College £'000	2015 Group £'000	2015 College £'000
On bank loans, overdrafts and other loans:	223	223	245	245
	223	223	245	245
On finance leases	7	6	1	-
On restructuring fund	56	56	65	65
Pension finance costs (Note 24)	490	490	410	410
Total	**776**	**775**	**721**	**720**

10 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 August 2015	2,768
At 31 July 2016	**2,768**
Accumulated amortisation	
At 1 August 2015	1,147
Charge for the year	277
At 31 July 2016	**1,424**
Net book value at 31 July 2016	**1,344**
Net book value at 31 July 2015	1,621

11 **(a)** **Tangible fixed assets (Group)**

	Land and buildings Freehold	Land and buildings Long leasehold	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2015	5,987	56,951	7,017	69,955
Additions	-	570	644	1,214
Disposals	-	(241)	(33)	(274)
At 31 July 2016	**5,987**	**57,280**	**7,628**	**70,895**
Depreciation				
At 1 August 2015	-	19,951	5,471	25,422
Charge for the year	-	1,978	620	2,598
Elimination in respect of disposals	-	(70)	(26)	(96)
At 31 July 2016	**-**	**21,859**	**6,065**	**27,924**
Net book value at 31 July 2016	**5,987**	**35,421**	**1,563**	**42,971**
Net book value at 31 July 2015	5,987	37,000	1,546	44,533

(b) **Tangible fixed assets (College only)**

	Land and buildings Freehold	Land and buildings Long leasehold	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2015	5,987	51,242	6,708	63,937
Additions	-	600	575	1,175
Disposals	-	(190)	(33)	(223)
At 31 July 2016	**5,987**	**51,652**	**7,250**	**64,889**
Depreciation				
At 1 August 2015	-	19,157	5,465	24,622
Charge for the year	-	1,696	540	2,236
Elimination in respect of disposals	-	(69)	(26)	(95)
At 31 July 2016	**-**	**20,784**	**5,979**	**26,763**
Net book value at 31 July 2016	**5,987**	**30,868**	**1,271**	**38,126**
Net book value at 31 July 2015	5,987	32,085	1,243	39,315

Land and buildings were valued in 1993 at depreciated replacement cost by a firm of independent chartered surveyors.

The net book value of equipment includes an amount of £372,000 (2014/15 – £69,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £80,000 (2014/15 – £25,000).

12 Non-current investments (College only)

	College 2016 £'000	College 2015 £'000
Investments in subsidiary companies	8,302	8,302
Total	**8,302**	**8,302**

The College has the following subsidiaries:

Name	% ownership of ordinary shares	Country of incorporation	Principal activity
Language Specialists (International) Limited	100	UK	English language training
Gwendraeth Valley Community Enterprises Limited t/a Jobforce Wales	100	UK	Work based training
Llandarcy Park Limited	100	UK	Sports facilities provision
Learnkit Limited	100	UK	Work based training
Neath Port Talbot College Enterprises Limited	100	UK	Non-Trading
Cycle Academy Wales Limited	100	UK	Non-Trading

13 Stock

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Farm stock	250	250	267	267
Other stock	6	0	2	0
Total	**256**	**250**	**269**	**267**

14 Debtors

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade receivables	988	738	1,316	1,090
Amounts owed by group undertakings:				
Subsidiary undertakings	-	901	-	1,834
Prepayments and accrued income	2,595	2,195	2,525	2,263
Total	**3,583**	**3,834**	**3,841**	**5,187**

15 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans and overdrafts (Note 17a)	704	704	718	718
Obligations under finance leases (Note 17b)	103	75	43	17
Trade payables	951	373	675	281
Amounts owed to group undertakings:				
Subsidiary undertakings	-	609	-	591
Other taxation and social security	529	469	805	716
Accruals and deferred income	3,567	2,405	5,297	3,393
Holiday pay accrual	591	515	604	511
Deferred income - government capital grants	798	798	798	798
Total	**7,243**	**5,948**	**8,940**	**7,025**

16 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans (Note 17a)	4,879	4,879	5,587	5,587
Obligations under finance leases (Note 17b)	285	266	47	6
Deferred income - government capital grants	10,465	10,465	11,263	11,263
Total	**15,629**	**15,610**	**16,897**	**16,856**

17 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	704	704	718	718
Between one and two years	686	686	700	700
Between two and five years	1,654	1,654	1,938	1,938
In five years or more	2,539	2,539	2,949	2,949
Total	**5,583**	**5,583**	**6,305**	**6,305**

The bank loans are as follows:

Bank	**Amount £'000**	**Rate**	**Term**
Bank of Scotland	949	75bps above base rate	20 years
Lloyds TSB	1,898	4.096% fixed	16 years
Santander	2,672	4.880% fixed	16 years
Salix	64	0%	6 years

Bank loans repayable by instalments falling due between 1 August 2015 and 31 July 2028 totalling £3,621,000, are secured on a portion of the freehold land and buildings of the College.

(b) Finance leases

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

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	103	75	43	17
Between two and five years	285	266	47	6
Total	**388**	**341**	**90**	**23**

Finance lease obligations are secured on the assets to which they relate.

18 Provisions

	Group and College		
	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2015	14,160	1,629	15,789
Expenditure in the period	(5,310)	(114)	**(5,424)**
Additions in period	14,490	123	**14,613**
At 31 July 2016	**23,340**	**1,638**	**24,978**

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

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2016	2015
Price inflation	1.3%	1.7%
Discount rate	2.3%	3.5%

19 Cash and cash equivalents

	At 1 August 2015	Cash flows	Other changes	At 31 July 2016
	£'000	£'000	£'000	£'000
Cash and cash equivalents	8,086	473	-	8,559
Total	8,086	**473**	-	**8,559**

The Group has acquired tangible assets under finance leases of £382,000 (2015: nil) in the year

20 Capital and other commitments

	Group and College	
	2016	2015
	£'000	£'000
Capital commitments contracted for at 31 July	-	-

21 Lease obligations

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

	Group	College	Group	College
Future minimum lease payments due	**2016**	**2016**	**2015**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Land and buildings				
Not later than one year	3	3	-	-
Later than one year and not later than five years	136	-	282	100
Later than five years	380	3,850	456	4,107
Total	**519**	**3,853**	**738**	**4,207**

22 Contingent liabilities

None

23 Events after the end of the reporting period

In August 2016 NPTC Group of Colleges, through its subsidiary, Llandarcy Park Limited, acquired a swimming pool in Cymmer Afan from the local authority for £1.

24 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the City & County of Swansea Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the City & County of Swansea. Both are multi-employer defined-benefit plans.

Total pension cost for the year		2016		2015
		£000		£000
Teachers' Pension Scheme: contributions paid		1,632		1,505
Local Government Pension Scheme:				
Contributions paid	1,255		1,250	
FRS 102 (28) charge	410		390	
Charge to the Statement of Comprehensive Income		1,665		1,640
Other pension schemes: Contributions paid		43		82
Enhanced pension charge to Statement of Comprehensive Income		67		63
Total Pension Cost for Year within staff costs		**3,407**		**3,290**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £374,000 (2015 £379,000) were payable to the schemes at 31 July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. 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 are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

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.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,632,000 (2015: £1,505,000)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the City & County of Swansea. The total contributions made for the year ended 31 July 2016 were £1,675,000, of which employer's contributions totalled £1,390,000 and employees' contributions totalled £420,000. The agreed contribution rates for future years are 14.7% for employers and range from 5.5% to 7.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.3%	3.6%
Future pensions increases	1.8%	2.1%
Discount rate for scheme liabilities	2.4%	3.6%
Inflation assumption (CPI)	1.8%	2.1%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2016	At 31 July 2015
	years	years
Retiring today		
Males	22.7	22.6
Females	25.2	25.1
Retiring in 20 years		
Males	24.9	24.8
Females	27.5	27.4

The College's share of the assets in the plan at the balance sheet date and the expected rates of return were:

	Fair Value at 31 July 2016	Fair Value at 31 July 2015
	£'000	£'000
Equity instruments	27,535	24,269
Debt instruments	6,201	5,977
Property	1,993	1,609
Cash	1,181	985
Total fair value of plan assets	**36,910**	**32,840**
Present value of scheme liabilities	**(60,250)**	**(47,000)**
Net pensions (liability) (Note 18)	**(23,340)**	**(14,160)**

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2016	2015
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,660	1,640
Past service cost	140	-
Total	**1,800**	**1,640**

Amounts included in investment income/interest and other finance cost

Net interest cost	(490)	(410)
	(490)	**(410)**

Amount recognised in Other Comprehensive Income

Return on pension plan assets	1,680	700
Experience losses arising on defined benefit obligations	(9,960)	(3,500)
Amount recognised in Other Comprehensive Income	**(8,280)**	**(2,800)**

Movement in net defined benefit (liability)/asset during year

	2016	2015
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(14,160)	(10,560)
Movement in year:		
Current service cost	(1,660)	(1,640)
Employer contributions	1,390	1,250
Past service cost	(140)	-
Net interest on the defined (liability)/asset	(490)	(410)
Actuarial gain or loss	(8,280)	(2,800)
Net defined benefit (liability)/asset at 31 July	**(23,340)**	**(14,160)**

Asset and Liability Reconciliation

	2016	2015
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	47,000	40,370
Current service cost	1,660	1,640
Interest cost	1,690	1,650
Contributions by Scheme participants	420	460
Experience gains and losses on defined benefit obligations	9,960	3,500
Changes in financial assumptions	-	-
Estimated benefits paid	(620)	(620)
Past Service cost	140	-
Defined benefit obligations at end of period	**60,250**	**47,000**

Changes in fair value of plan assets	2016	2015
	£'000	£'000
Fair value of plan assets at start of period	32,840	29,810
Interest on plan assets	1,200	1,240
Return on plan assets	1,680	700
Employer contributions	1,390	1,250
Contributions by Scheme participants	420	460
Estimated benefits paid	(620)	(620)
Fair value of plan assets at end of period	**36,910**	**32,840**

25 Related party transactions

Owing to the nature of the Group's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Group's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £1,000; 5 governors (2015: £1,900; 7 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the Group or its subsidiaries during the year (2015: None).

26 Amounts disbursed as agent

Financial Contingency Funds

	2016	2015
	£'000	£'000
Balance at 1 August	220	146
WG grants received	723	746
Interest earned	-	-
	943	892
Disbursed to students	(699)	(672)
Administration costs	-	-
Balance unspent as at 31 July, included in creditors	244	220

Financial contingency fund grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

27 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31 July 2016 is the first year that the Group has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1 August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the Group's financial position, financial performance and cash flows, is set out below.

	Note	1 August 2014		31 July 2015	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Financial Position					
Total reserves under previous SORP		**21,479**	**22,735**	**17,329**	**19,017**
Holiday pay accrual	(a)	(522)	(449)	(605)	(511)
Total effect of transition to FRS 102 and 2015 FE HE SORP		**(522)**	**(449)**	**(605)**	**(511)**
Total reserves under 2015 FE HE SORP		**20,957**	**22,286**	**16,724**	**18,506**

	Note	Year ended 31 July 2015	
		Group	College
		£'000	£'000
Financial performance			
Surplus for the year after tax under previous SORP		**(560)**	**(128)**
Pensions provision – actuarial loss			
Movement in the holiday pay accrual	(a)	(83)	(62)
Changes to measurement of net finance cost on defined benefit plans	(b)	(790)	(790)
Total effect of transition to FRS 102 and 2015 FE HE SORP		**(873)**	**(852)**
Restated deficit for the year		**(1,433)**	**(980)**
Presentation of actuarial gains and losses within the Statement of comprehensive income		(2,800)	(2,800)
Total comprehensive income for the year under 2015 FE HE SORP		**(4,233)**	**(3,780)**

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31 August each year for both teaching and non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £522,000 was recognised at 1 August 2014 in the Group, and £605,000 at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £13,000 has been credited to Comprehensive Income in the year ended 31 July 2016.

b) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31 July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

c) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.