



NPTC GROUP OF COLLEGES

Annual Report

for the year ended 31 July 2017

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 2016/17:

Mark Dacey CEO; Accounting officer
Keith Booker, Deputy CEO and Principal of the Neath Port Talbot Campuses
Kathryn Holley, Vice Principal: Financial Services
Catherine Lewis, Vice Principal: Corporate Services
Judith Williams, Vice Principal: Academic 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
One Kingsway
Cardiff
CF10 3PW

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

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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 2017.

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

The Group's mission statement is 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 the 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

	2016/17	Target	Prior Year Comparison	Most Recent Nat. Comparator
OUTCOMES				
SUCCESS				
COMPLETION RATE*	95%	93%	92%	92%
ATTAINMENT RATE*	87%	92%	91%	94%
SUCCESSFUL COMPLETION RATE*	81%	88%	83%	86%
A-LEVEL PASS RATE	99.9%	100%	100%	97.3%
STUDENT ATTENDANCE	90%	95%	91%	
VOLUMES				
FT FE ENROLMENTS (LAPS)	3,784	4,379	4,113	
HE ENROLMENT (PT & FT)	618	840	881	
FINANCE				
WG INCOME/TOTAL INCOME	67.03%	<70%	67.21%	78.38%
STAFF COSTS/TOTAL INCOME	63.53%	<70%	59.46%	62.89%
SURPLUS/TOTAL INCOME	-5.51%		0.89%	-0.37%
EBITDA/TOTAL INCOME	2.77%	>5%	9.04%	7.23%
CURRENT RATIO	1.66	>1.2	1.71	2.03
GEARING (excl pension liability in brackets)	30.4% (16.5%)		58.1% (17.8%)	-133.4% (28.9%)
CASH BALANCE	£10.4M		£8.6M	£5.6M
CASH DAYS	78 days	> 45 days	70 days	64 days
CAPITAL INVESTMENT/INCOME	4.96%	5%	2.7%	17.1%
PEOPLE				
COMPLAINTS RECEIVED	47		46	
STAFF FTE COUNT	804		778	
SICKNESS ABSENCE STATISTICS	3.08%		3.16%	3.90

*Draft figures; the finalised figures from the Welsh Government's records will not be available until after the signing of these financial statements, and are expected to be higher.

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 recorded a deficit in the year of £2,453,000 (2015/16 surplus £400,000), with total comprehensive income of £7,609,000, (2015/16 total comprehensive expense (£7,762,000)). The total comprehensive income results are stated after accounting for the significant actuarial gain in 2016/17, and actuarial loss in 2015/16, in the Local Government Pension Scheme.

The Group has accumulated reserves of £17,808,000 and cash and cash equivalent balances of £ 10,369,000. 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 2016/17 the FE funding bodies provided 67 % of the Group's total income. During the year the Group was unable to recruit sufficient students and deliver sufficient levels of fundable activity to draw down all of the grant that was available to it, and this worsened the result by £981,000. The local government pension scheme cost adjustment has come from the actuary's calculations based on the March 2016 triennial pension valuation rolled forward to 31 July 2017, whereas the budget and the previous year's actual were based on the updated 2013 valuation. The new valuation and updated assumptions have reduced the pension deficit in the balance sheet by some £8 million (all but reversing the £9 million increase of the previous year), but increased the charges in the statement of comprehensive income. The extra pension charges of £1.8 million are all "non cash" adjustments, but £1.18 million of the adjustment has the effect of increasing reported staff costs and reducing EBITDA.

The Group has four trading subsidiary companies, Language Specialists (International) Limited, Llandarcy Park Limited, Gwendraeth Valley Community Enterprises Limited (t/a Jobforce Wales) and Learnkit Limited. The principal activities are respectively, English language training, a sports centre plus swimming pool and work based learning for the remaining two. 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 to the Group result, before amortisation of goodwill, was £126,000 (2016: £80,000). Language Specialists (International) Limited made a £175,000 Gift Aid contribution.

The contribution of the subsidiary companies has improved compared to the previous year, with Language Specialists (International) Limited (LSI) returning to surplus. At the start of 2016/17 Llandarcy Park took over a swimming pool in the Afan Valley that had previously been closed by the local authority that used to run it. With financial support from a local community trust, the first year has been a financial and operating success, and the restored community asset has been welcomed by a diverse group of local users. The work based learning providers performed modestly in a difficult funding environment, relying on strict cost control to operate within largely low margin government-funded contracts.

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 £4.6 million (2016 £2.2 million), net cash flow from operating activities was double the previous year's value, mainly due to a reversal of the working capital changes experienced the previous year.

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 again comfortably exceeded.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2016/17 the College has delivered activity that has produced £24,110,000 in funding body main allocation funding for further education. (2015/16 – £25,208,000).

Student achievements

Students at NPTC Group of Colleges achieved grades that outperformed national comparators and have accepted places at some of the best performing universities and institutions across the country following another successful year with A Level and Extended Diploma Qualification results.

The number of students achieving the top A level grade has more than doubled this year, building on the success of previous years. For the 12th year in succession the overall pass rate (99.9 per cent) exceeded 99 per cent. In 37 subjects out of the 40 offered at A Level, students achieved a remarkable 100 per cent pass rate. Forty one per cent of the students sitting A Level exams achieved A* to B grades and 74 per cent of students achieved A* to C grades.

In addition 93 students achieved an excellent outcome of triple distinction grades in the Extended National Diploma qualifications, with 34 students achieving the highest possible grade profile of D*D*D*.

More than 200 students achieved the Welsh Baccalaureate Qualification Skills Challenge Certificate with 60 per cent achieving A* to B grades. Ninety-six percent of students following the Gifted and Talented programme (GATE) at Neath Port Talbot Sixth Form Academy gained A* to B grades and 84 per cent of those achieved A* to A grades.

Each year, the Royal Welsh Agricultural Society presents promising students and rising stars with awards and scholarships which recognises and pays tribute to their enthusiasm and dedication to Welsh agriculture. NPTC Group of Colleges' Agricultural student Eifion Jones was named joint winner of the Royal Welsh Agricultural Society Student of the Year Award 2017. In addition to this, the College's horticulture department was awarded a Gold Medal for its display 'Diversity of Landscape' at the Royal Welsh Show, having previously taken home gold at the Society's Spring Fair earlier in the year.

Students from a range of dance courses gained entry into top universities and specialist dance conservatoires, the success coinciding with the students having opportunities to dance with The Black Eyed Peas, Ballet Cymru, the National Dance Company of Wales and Bright Light Bright Light.

Construction students from NPTC Group of Colleges have cemented their future careers after being awarded top degrees in Construction Management. Three students who are the first to study the College's new BSc (Hons) degree in Construction Management in conjunction with Glyndwr University were awarded the degree. At the same time, ten former construction students were awarded the same degree at University, six achieved a First Class Honours and four a 2.1

David Vaughan, a Level 3 Business student at Brecon Beacons College cracked it and came up with a business idea which has earned him a top award for his efforts. The 17 year-old set up his own business selling quail eggs in the Brecon and Builth Wells area to hotels, restaurants and bistros. He has been working with College Enterprise department and Business Wales advisors who referred him to the Big Ideas Wales Bootcamp for the North Wales region here he won best pitch for his idea.

Neath College student Harri Evans-Mason proved to be an inspiration and received a prestigious award from Neath Port Talbot Council for Voluntary Service (CVS) in recognition for his volunteering work. He also got a mention in despatches in the Senedd by Neath AM Jeremy Miles who spoke about the many successful volunteering programmes in Neath Port Talbot which have inspired him, including the 'extraordinary example' of Harri.

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 continued to invest 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.

- The NPTC Group of colleges continues to deliver courses to over 700 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.
- The delivery of Welsh Baccaalaureate qualifications has continued to progress and advanced level results are amongst the best in Wales based on sector averages. In 2016/17 in readiness for meeting Welsh Government targets the College further expanded the delivery of the Advanced Welsh Baccaalaureate 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 2016 to 31 July 2017, the College paid 83 per cent (2015/16 77 per cent) of its suppliers within 30 days. The College incurred no interest charges in respect of late payment for this period.

Future prospects

During 2017/18, the Group will complete the £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 provide additional space with a coffee shop for flexible learning and for socialisation. The refurbishment, which received a 50% funding allocation from Welsh Government, 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 in previous years 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 been submitted to Welsh Government for capital funding via the Mutual Investment Model funding stream under the second phase of the 21st Century Schools programme, and a formal decision is awaited.
- In order to improve the local relevance of the curriculum offer at the College in Brecon and to make it more accessible to students, plans have been submitted to Welsh Government to obtain funding to move from the current single site, to a multi-site facility largely located in the town centre, offering state of the art training facilities and encouraging greater engagement with the local community.
- Hafren in Newtown (a 556 seat capacity receiving theatre) 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. The Arts Council Wales had agreed to provide £3M (50%) funding towards the capital development required to fulfil the recommendations of their feasibility study; but as the proposal was only given "Category C" approval from the Welsh Government for the additional capital funding required, the Group was in the process of identifying alternative funding sources. In the meantime, the Arts Council has gone back on their agreement to provide funding and the Group is currently actively pursuing this change of heart.

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 nine College campuses across four counties in Wales, including two theatres, a working farm, an extensive sports centre, a swimming pool, a ten-storey building in central Portsmouth and approximately fifty acres of land in various locations available for development.

Financial

The Group has £17.8 million of net assets after including £15.1 million pension liability (2016: £10.3 million net assets including £23.3 million pension liability) and long term debt of £4.9 million (2016: £5.6 million).

People

The Group employs 804 people (expressed as full time equivalents), of whom 438 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 continued to work during the year to 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.

- Failure to comply with new Data Protection legislation resulting in serious incidents and/or financial penalties, reputational damage and further legal action.
- College management have insufficient capacity or capability to successfully deliver on the volume of current projects to achieve the Group strategic plan.
- International activity does not generate expected income for the UK Group due to cultural issues, political changes or significant changes in exchange rates.
- Failure to comply with Health & Safety legislation resulting in serious incidents and/or financial penalties, reputational damage and further legal action.
- College-wide learner outcomes fall below acceptable standards leading to adverse Estyn inspections, student dissatisfaction and reductions in future recruitment, reputational loss, failure of tenders and financial loss.

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;
- members of our gym at Llandarcy Park;
- 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 its second Strategic Equality Plan in 2016, covering the period 2016 to 2020 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

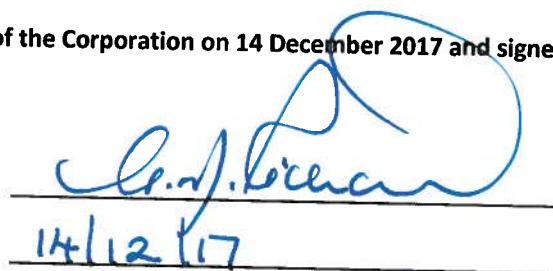
The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit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

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf by:

Gaynor Richards

Chair of the Corporation

Date



14/12/17

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 2016 to 31 July 2017 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 2017 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
Mr J Cadman	06.04.17	1 year		Student	
Ms M James	06.04.17	1 year		Student	
Mr J Brunt	28.04.16	4 years		Business	Resources & General Purposes
Mr T Burgoyne	06.11.15	4 yrs		Staff Member	Audit
Mr G Cragg	10.12.98	2yrs 4 th term		Business	Resources & General Purposes; Search & Governance Remuneration
Mr M Dacey	01.05.04	Ex officio		CEO	Resources & General Purposes; Search & Governance
Mr S Dickerson	06.11.15	4yrs 2 nd term		Staff Member	Resources & General Purposes
Mr K Goodley	16.12.04	4yrs 4 th term		Community	Audit
Ms J Harding	22.10.08	4yrs 3 rd term		Community	Resources & General Purposes
Mr S Harries	24.06.09	4yrs 2 nd term	21.09.16	Business	
Mr J Hehir	29.03.06	4yrs 3 rd term		Business	Corporation Board (Vice Chair); Audit; Remuneration; Search & Governance
Ms M Ifans	08.06.11	4yrs 2 nd term		Business	Resources & General Purposes (Chair); Remuneration
Mr M Harvey	28.04.16	4 years		Co-opted	Audit
Prof D Mead	14.02.07	4yrs 3 rd term		Co-opted	Audit (Chair)
Mr S Mohammed	14.02.07	4yrs 3 rd term	31.07.17	Community	

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served
Mrs H Morgan	08.06.11	4yrs 2 nd term		Co-opted	Resources & General Purposes
Mrs G Richards	30.03.11	4yrs 2 nd term		Business	Corporation Board (Chair); Resources & General Purposes; Remuneration (Chair)
Mrs P Vine	24.03.10	4yrs 2 nd term		Co-opted	Search & Governance
Mrs G Charnock acts as the Governance Officer, with Mrs S Roberts acting as maternity cover for the period August 2016 – January 2017					

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 four committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit, Remuneration, Resources and General Purposes, Search and Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Governance Officer at:

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

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

All members 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 members 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 has adopted 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 two members of the Board retired, and two Student Governors were appointed.

Corporation performance

The attendance target for the Corporation Board and the Committees for 2016-17 was 70%. The total Corporation attendance rate for 2016-17 was 71%. The total Corporation attendance rate for 2015-16 was 82%.

The breakdown of the 2016-17 attendance figures are as follows:

Search & Governance 93%; Resources & General Purposes 66%; Audit 75%; Remuneration 75% and Corporation Board 69%.

Three out of four Committees attained the target of 70% attendance. The Resources & General Purposes Committee had the lowest attendance, attaining 66%. The Corporation Board was just below the 70% attendance target, attaining 69% attendance.

Overall, eight out of seventeen Members who served for part or all of the 2016/2017 academic year achieved the target attendance of 70%, with seven Members achieving over 80% attendance and four Members achieving 100% attendance.

Remuneration Committee

Throughout the year ending 31 July 2017 the College's Remuneration Committee comprised four 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 2017 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 2017 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 2017 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 work undertaken by the internal audit service during 2016/17 resulted in the conclusion that the organisation has an adequate and effective framework for risk management, governance and internal control.

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.

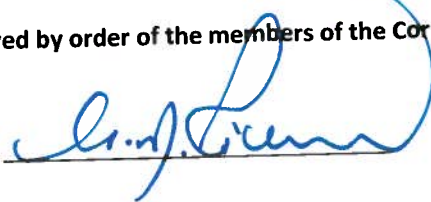
The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and 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

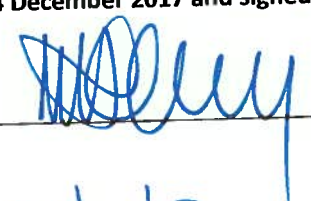
After making appropriate enquiries, the Corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf by:

Signed 

Date 14/12/17

Gaynor Richards, Chair of the Corporation

Signed 

Date 14/12/17

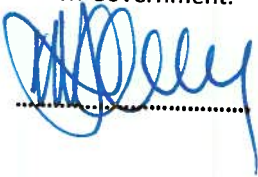
Mark Dacey, CEO

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

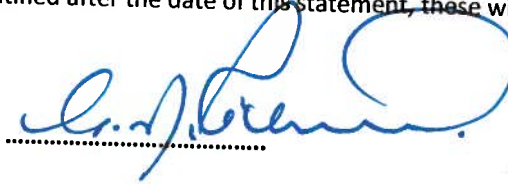
The Corporation has considered its responsibility to notify Welsh Government of material irregularity, impropriety and non-compliance with the terms and conditions of funding, under the conditions of funding in place between the Group and the Welsh Government. As part of our consideration we have had 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
Accounting Officer
14 December 2017



Gaynor Richards
Chair of Governors
14 December 2017

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 2016 to 2017* 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.

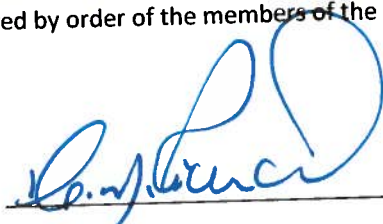
The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other 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

14/12/17

Gaynor Richards, Chair of the Corporation

Independent auditors' report to the Corporation of NPTC Group of Colleges (the "institution")

Report on the audit of the financial statements

Opinion

In our opinion, NPTC Group of Colleges' group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and the parent institution's affairs as at 31st July 2017, and of the group's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been properly prepared in accordance with the Accounts Direction issued by the Welsh Government.

We have audited the financial statements, included within the Annual Report for the year ended 31st July 2017 (the "Annual Report"), which comprise the Balance Sheets as at 31st July 2017; the Consolidated and College Statements of Comprehensive Income for the year then ended; the Consolidated and College Statement of Changes in Reserves for the year then ended; the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial

statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 19, the Corporation is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Corporation is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the group's and parent institution's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the group and parent institution or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other Required Reporting

Opinions on other matters prescribed in the Further Education Audit Code of Practice 2015 issued by the Welsh Government

In our opinion, in all material respects:

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

14 December 2017

Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants					
Tuition fees and education contracts	2	29,862	28,630	30,196	29,002
Other grants and contracts	3	8,118	4,721	8,881	5,536
Other income	4	356	356	71	71
Investment income	5	6,197	4,112	5,758	3,754
	6	20	20	21	18
Total income		44,553	37,839	44,927	38,381
EXPENDITURE					
Staff costs					
Fundamental restructuring costs	7	28,303	25,276	26,713	23,594
Other operating expenses	7	219	219	50	43
	8	14,800	11,400	14,109	10,885
Depreciation					
Amortisation	11	2,583	2,248	2,607	2,236
Interest and other Finance costs	10	276	-	277	-
	9	828	827	776	775
Total expenditure		47,009	39,970	44,532	37,533
(Deficit) / surplus before other gains and losses		(2,456)	(2,131)	395	848
Gain / (loss) on disposal of assets					
	8	3	3	(17)	-
(Deficit) / surplus before tax		(2,453)	(2,128)	378	848
Taxation					
		(16)	-	22	-
(Deficit) / surplus for the year		(2,469)	(2,128)	400	848
Deferred tax on revaluation of property in subsidiaries					
		88	-	118	-
Actuarial gain / (loss) in respect of pensions schemes	24	9,990	9,990	(8,280)	(8,280)
Total comprehensive income / (expense) for the year		7,609	7,862	(7,762)	(7,432)
Represented by:					
Unrestricted comprehensive income / (expense)		7,609	7,862	(7,762)	(7,432)

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Restated Balance at 1 August 2015 (note 27)	11,867	6,166	18,033
Surplus from the income and expenditure account	400	-	400
Other comprehensive (expense)/income	(8,280)	118	(8,162)
Transfers between revaluation and income and expenditure reserves	274	(274)	-
Total comprehensive expense for the year	(7,606)	(156)	(7,762)
Balance at 31 July 2016	4,261	6,010	10,271
(Deficit) from the income and expenditure account	(2,469)	-	(2,469)
Other comprehensive income	9,990	88	10,078
Transfers between revaluation and income and expenditure reserves	274	(274)	-
Total comprehensive income for the year	7,795	(186)	7,609
Balance at 31 July 2017	12,056	5,824	17,880
College			
Balance at 1 August 2015	13,495	5,011	18,506
Surplus from the income and expenditure account	848	-	848
Other comprehensive expense	(8,280)	-	(8,280)
Transfers between revaluation and income and expenditure reserves	186	(186)	-
Total comprehensive expense for the year	(7,246)	(186)	(7,432)
Balance at 31 July 2016	6,249	4,825	11,074
(Deficit) from the income and expenditure account	(2,128)	-	(2,128)
Other comprehensive income	9,990	-	9,990
Transfers between revaluation and income and expenditure reserves	186	(186)	-
Total comprehensive income for the year	8,048	(186)	7,862
Balance at 31 July 2017	14,297	4,639	18,936

Balance sheets as at 31 July

	Notes	Group 2017 £'000	College 2017 £'000	Group Restated 2016 £'000	College 2016 £'000
Non-current assets					
Intangible Fixed assets	10	1,068	-	1,344	-
Tangible Fixed assets	11	44,345	37,714	44,928	38,126
Investments	12	-	8,299	-	8,302
		45,413	46,013	46,272	46,428
Current assets					
Stocks	13	289	282	256	250
Trade and other receivables	14	4,102	4,515	3,583	3,834
Cash and cash equivalents	19	10,369	8,587	8,559	7,098
		14,760	13,384	12,398	11,182
Less: Creditors – amounts falling due within one year	15	(8,892)	(7,588)	(7,245)	(5,948)
Net current assets		5,868	5,796	5,153	5,234
Total assets less current liabilities					
Creditors – amounts falling due after more than one year	16	51,281 (16,276)	51,809 (16,276)	51,425 (15,576)	51,662 (15,610)
Provisions					
Defined benefit obligations	18	(15,080)	(15,080)	(23,340)	(23,340)
Other provisions	18	(2,045)	(1,517)	(2,238)	(1,638)
Total net assets		17,880	18,936	10,271	11,074
Unrestricted Reserves					
Income and expenditure account		12,056	14,297	4,261	6,249
Revaluation reserve		5,824	4,639	6,010	4,825
Total unrestricted reserves		17,880	18,936	10,271	11,074

The financial statements on pages 22 to 46 were approved and authorised for issue by the Corporation on 14 December 2017 and were signed on its behalf on that date by:

Signed 
Gaynor Richards, Chair of the Corporation

Signed 
Mark Dacey, CEO

Consolidated Statement of Cash Flows

	Notes	Year ended 2017 £'000	Year ended 2016 £'000
Cash flow from operating activities			
(Deficit)/surplus for the year		(2,469)	400
Adjustment for non-cash items			
Depreciation and amortisation		2,859	2,884
(Increase)/decrease in stocks		(33)	13
(Increase)/decrease in debtors		(519)	258
Increase/(decrease) in creditors due within one year		1,577	(1,741)
Increase/(decrease) in creditors due after one year		1,326	(768)
Decrease in provisions		(193)	(47)
Pensions costs less contributions payable		1,180	410
Taxation		72	-
Adjustment for investing or financing activities			
Investment income		(20)	(21)
Interest payable		828	776
Taxation paid / (reclaimed)		16	(22)
(Gain)/loss on sale of fixed assets		(3)	17
Net cash flow from operating activities		<u>4,621</u>	<u>2,159</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		212	161
Investment income		20	21
Payments made to acquire fixed assets		(2,211)	(1,214)
		<u>(1,979)</u>	<u>(1,032)</u>
Cash flows from financing activities			
Interest paid		(257)	(223)
Interest element of Finance lease rental payments		(21)	(7)
New loans / leases		339	382
Repayments of amounts borrowed		(727)	(722)
Capital element of Finance lease rental payments		(166)	(84)
		<u>(832)</u>	<u>(654)</u>
Increase in cash and cash equivalents in the year		<u><u>1,810</u></u>	<u><u>473</u></u>
Cash and cash equivalents at beginning of the year	19	8,559	8,086
Cash and cash equivalents at end of the year	19	10,369	8,559

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 2016 to 2017 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.

The application of first time adoption in 2015/16 allowed 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:

- The College has retained the carrying values of freehold properties at 1 August 2014 as being deemed cost and measured at fair value
- The College 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 College 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 2017.

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 £4.9million 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 the 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 a portion 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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. 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	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent Welsh Government grants				
FE funding grant	24,110	24,110	25,208	25,208
Work Based Learning (Note 2a)	4,284	3,052	3,664	2,470
Specific grants				
Release of government capital grants	683	683	718	718
Other specific grants	785	785	606	606
Total	29,862	28,630	30,196	29,002

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	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Total income	9,525	9,525	8,324	8,324
Payments to FE partners	(2,994)	(2,994)	(2,160)	(2,160)
Payments to non FE partners	(2,247)	(3,479)	(2,500)	(3,694)
Net income attributable to the Group & College	4,284	3,052	3,664	2,470

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Tuition fees	3,445	3,445	3,709	3,709
Cost recovery courses	288	286	459	456
Examination fees	39	39	71	71
Registration fees	65	22	90	49
International students fees	3,360	8	3,321	20
Total tuition fees	7,197	3,800	7,650	4,305
Education contracts	921	921	1,231	1,231
Total	8,118	4,721	8,881	5,536

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
European Commission	356	356	71	71
Total	356	356	71	71

5 Other income

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	1,000	630	1,000	683
Other income generating activities	4,614	3,179	4,258	2,730
Other grant income	510	230	420	261
Non-government capital grants	73	73	80	80
Total	6,197	4,112	5,758	3,754

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	1	1	1	1
Other interest receivable	19	19	20	17
Total	20	20	21	18

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:

	2017		2016	
	Group	College	Group	College
	No.	No.	No.	No.
Teaching staff	438	438	456	456
Non-teaching staff	366	272	322	221
Total	804	710	778	677

Staff costs for the above persons

	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Wages and salaries	21,677	18,929	21,205	18,366
Social security costs	2,050	1,813	1,673	1,437
Other pension costs (Note 24)	4,241	4,200	3,407	3,364
Payroll sub total	<u>27,968</u>	<u>24,942</u>	<u>26,285</u>	<u>23,167</u>
Contracted out staffing services	335	334	428	427
	<u>28,303</u>	<u>25,276</u>	<u>26,713</u>	<u>23,594</u>
Fundamental restructuring costs	219	219	50	43
Total Staff costs	<u><u>28,522</u></u>	<u><u>25,495</u></u>	<u><u>26,763</u></u>	<u><u>23,637</u></u>

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 in 2016/17 comprised the CEO, Deputy CEO, Vice Principal: Academic Services, Vice Principal: Corporate Services, and Vice Principal: Financial Services.

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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	<u>5</u>	<u>5</u>

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	
	2017 No.	2016 No.	2017 No.	2016 No.
£60,001 to £70,000 p.a.	-	-	5	7
£70,001 to £80,000 p.a.	-	-	1	1
£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	-	-
	<u>5</u>	<u>5</u>	<u>6</u>	<u>8</u>

Key management personnel emoluments are made up as follows:

	2017	2016
	£	£
Salaries	500,137	495,894
Benefits in kind	-	-
	<u>500,137</u>	<u>495,894</u>
Pension contributions	81,425	77,514
	<u>584,562</u>	<u>573,408</u>
Total emoluments	<u>584,562</u>	<u>573,408</u>

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:

	2017	2016
	£	£
Salaries	147,296	144,997
Benefits in kind	-	-
	<u>147,296</u>	<u>144,997</u>
Pension contributions	24,274	23,608
	<u>24,274</u>	<u>23,608</u>

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			
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	5,305	5,305	5,209	5,209
Non-teaching costs	5,886	3,118	5,708	3,036
Premises costs	3,609	2,977	3,192	2,640
	<u>14,800</u>	<u>11,400</u>	<u>14,109</u>	<u>10,885</u>
Total	<u>14,800</u>	<u>11,400</u>	<u>14,109</u>	<u>10,885</u>

Other operating expenses include:

	2017	2016
	£'000	£'000
Auditors' remuneration:		
External auditors- audit of College	54	26
External auditors- audit of subsidiaries	33	30
External auditors- regulatory services	11	11
External auditors- taxation services	11	17
External auditors- other services*	12	-
Internal audit	27	28
Losses on disposal of non-current assets	-	17
Hire of assets under operating leases	177	183
	<u>177</u>	<u>183</u>

*Other services refers to advice and assistance regarding the transition to FRS 102.

9 Interest and other Finance costs

	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:	200	200	223	223
	<u>200</u>	<u>200</u>	<u>223</u>	<u>223</u>
On finance leases	21	20	7	6
On restructuring fund (Note 18)	57	57	56	56
Pension finance costs (Note 24)	550	550	490	490
Total	<u>828</u>	<u>827</u>	<u>776</u>	<u>775</u>

10 Intangible fixed assets

	Goodwill
	£'000
Cost	
At 1 August 2016	2,768
At 31 July 2017	<u>2,768</u>
Accumulated amortisation	
At 1 August 2016	1,424
Charge for the year	276
At 31 July 2017	<u>1,700</u>
Net book value at 31 July 2017	<u>1,068</u>
Net book value at 31 July 2016	<u>1,344</u>

11	(a)	Tangible fixed assets (Group)				Total	
		Land and buildings		Equipment	Assets in the course of construction		£'000
		Freehold	Long leasehold				
		£'000	£'000	£'000	£'000		£'000
Cost or valuation							
At 1 August 2016	5,987	58,292	7,628	-	71,907		
Additions	-	184	1,085	942	2,211		
Disposals	(207)	-	(25)	-	(232)		
At 31 July 2017	5,780	58,476	8,688	942	73,886		
Depreciation							
At 1 August 2016	-	20,914	6,065	-	26,979		
Charge for the year	-	1,880	703	-	2,583		
Elimination in respect of disposals	-	-	(21)	-	(21)		
At 31 July 2017	-	22,794	6,747	-	29,541		
Net book value at 31 July 2017	5,780	35,682	1,941	942	44,345		
Net book value at 31 July 2016	5,987	37,378	1,563	-	44,928		

	(b)	Tangible fixed assets (College only)				Total	
		Land and buildings		Equipment	Assets in the course of construction		£'000
		Freehold	Long leasehold				
		£'000	£'000	£'000	£'000		£'000
Cost or valuation							
At 1 August 2016	5,987	51,652	7,250	-	64,889		
Additions	-	65	1,040	942	2,047		
Disposals	(207)	-	(25)	-	(232)		
At 31 July 2017	5,780	51,717	8,265	942	66,704		
Depreciation							
At 1 August 2016	-	20,784	5,979	-	26,763		
Charge for the year	-	1,624	624	-	2,248		
Elimination in respect of disposals	-	-	(21)	-	(21)		
At 31 July 2017	-	22,408	6,582	-	28,990		
Net book value at 31 July 2017	5,780	29,309	1,683	942	37,714		
Net book value at 31 July 2016	5,987	30,868	1,271	-	38,126		

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 £566,000 (2015/16 – £372,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £145,000 (2015/16 – £80,000).

12 Investments (College only)

	College 2017 £'000	College 2016 £'000
Investments in subsidiary companies	8,299	8,302
Total	8,299	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 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Farm stock	282	282	250	250
Other stock	7	-	6	-
Total	289	282	256	250

14 Trade and other receivables

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due within one year:				
Trade receivables	1,156	647	988	738
Amounts owed by group undertakings:				
Subsidiary undertakings	-	1,321	-	901
Prepayments and accrued income	2,946	2,547	2,595	2,195
Total	4,102	4,515	3,583	3,834

15 Creditors: amounts falling due within one year

	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (Note 17a)	723	723	704	704
Obligations under finance leases (Note 17b)	156	138	103	75
Trade payables	1,076	792	951	373
Amounts owed to group undertakings:				
Subsidiary undertakings	-	572	-	609
Other taxation and social security	525	463	529	469
Accruals and deferred income	5,055	3,629	3,567	2,405
Holiday pay accrual	601	515	591	515
Deferred income - government capital grants	756	756	798	798
Total	8,892	7,588	7,243	5,948

16 Creditors: amounts falling due after one year

	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Bank loans (Note 17a)	4,133	4,133	4,879	4,879
Obligations under finance leases (Note 17b)	405	405	285	266
Deferred income - government capital grants	11,738	11,738	10,412	10,465
Total	16,276	16,276	15,576	15,610

17 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
In one year or less	723	723	704	704
Between one and two years	710	710	686	686
Between two and five years	1,402	1,402	1,654	1,654
In five years or more	2,021	2,021	2,539	2,539
Total	4,856	4,856	5,583	5,583

The bank loans are as follows:

Bank	Amount	Rate	Term
	£'000		
Bank of Scotland	671	75bps above base rate	20 years
Lloyds TSB	1,730	4.096% fixed	16 years
Santander	2,434	4.880% fixed	16 years
Salix	21	0%	6 years

Bank loans repayable by instalments falling due between 1 August 2017 and 31 July 2028 totalling £3,106,000, 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	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
In one year or less	156	138	103	75
Between two and five years	405	405	285	266
Total	561	543	388	341

Finance lease obligations are secured on the assets to which they relate. The Group has acquired tangible assets under finance leases of £339,000 (2016: £382,000) in the year.

18 Provisions

	Defined benefit obligations	Enhanced pensions	College Total	Deferred Taxation	Group Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	23,340	1,638	24,978	600	25,578
Expenditure in the period	(9,990)	(178)	(10,168)	(72)	(10,240)
Additions in period	1,730	57	1,787	-	1,787
At 31 July 2017	15,080	1,517	16,597	528	17,125

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:

	2017	2016
Price inflation	1.3%	1.3%
Discount rate	2.3%	2.3%

The provision for deferred taxation relates to the revaluation of fixed assets in the subsidiary companies.

19 Cash and cash equivalents

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	8,559	1,810	-	10,369
Total	8,559	1,810	-	10,369

20 Capital and other commitments

	Group and College	
	2017	2016
	£'000	£'000
Capital commitments as at 31 July	2,901	-

21 Lease obligations

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

Future minimum lease payments due	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Land and buildings				
Not later than one year	8	-	3	3
Later than one year and not later than five years	69	-	136	-
Later than five years	304	3,570	380	3,850
Total	381	3,570	519	3,853

22 Contingent liabilities

None

23 Events after the end of the reporting period

There were no events between the end of the reporting period date and the date the financial statements were authorised for issue requiring disclosure or an adjustment to the financial statements.

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	2017	2016
	£'000	£'000
Teachers' Pension Scheme: contributions paid	1,792	1,632
Local Government Pension Scheme:		
Contributions paid	1,300	1,255
FRS 102 (28) charge	1,180	410
Charge to the Statement of Comprehensive Income	2,480	1,665
Other pension schemes: Contributions paid	41	43
Enhanced pension charge	(72)	67
Total Pension Cost for Year within staff costs (Note 7)	4,241	3,407

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 2016.

Contributions amounting to £385,000 (2016: £374,000) 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 completed 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>

In addition to the above, work is currently underway in respect of a valuation of the Teachers' Pension Scheme as at 31 March 2016. This is scheduled for completion in 2018, with the results due to be implemented in April 2019.

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 £1,792,000 (2016: £1,632,000)

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 2017 were £1,771,000, of which employer's contributions totalled £1,303,000 and employees' contributions totalled £468,000. The agreed contribution rates for future years changed in April 2017, becoming 17.7% plus an annual capital contribution of £168,400 (previously 14.7% plus an annual capital contribution of £164,000) for employers, and remaining in the range from 5.5% to 7.5% for employees, depending on salary. The contributions are designed to eliminate over a twenty-two year period (the "recovery period"), the deficit calculated in the most recent triennial valuation as at 31 March 2016.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.5%	3.3%
Future pensions increases	2.0%	1.8%
Discount rate for scheme liabilities	2.6%	2.4%
Inflation assumption (CPI)	2.0%	1.8%

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 2017	At 31 July 2016
	years	years
<i>Retiring today</i>		
Males	22.9	22.7
Females	24.4	25.2
<i>Retiring in 20 years</i>		
Males	24.5	24.9
Females	26.2	27.5

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 2017	Fair Value at 31 July 2016
	£'000	£'000
Equity instruments	32,415	27,535
Debt instruments	6,240	6,201
Property	2,052	1,993
Cash	1,173	1,181
Total fair value of plan assets	<u>41,880</u>	<u>36,910</u>
Present value of scheme liabilities	(56,960)	(60,250)
Net pensions (liability) (Note 18)	<u>(15,080)</u>	<u>(23,340)</u>

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

	2017	2016
	£'000	£'000
Amounts included in staff costs		
Current service cost	2,480	1,660
Past service cost	-	140
Total	<u>2,480</u>	<u>1,800</u>

Amounts included in investment income/interest and other Finance cost

Net interest cost	(550)	(490)
	<u>(550)</u>	<u>(490)</u>

Amount recognised in Other Comprehensive Income

Return on pension plan assets	3,470	1,680
Experience gains / (losses) arising on defined benefit obligations	6,520	(9,960)
Amount recognised in Other Comprehensive Income	<u>9,990</u>	<u>(8,280)</u>

Movement in net defined benefit liability during year

	2017	2016
	£'000	£'000
Net defined benefit liability at 1 August	(23,340)	(14,160)
Movement in year:		
Current service cost	(2,480)	(1,660)
Employer contributions	1,300	1,390
Past service cost	-	(140)
Net interest on the defined liability	(550)	(490)
Actuarial gain or loss	9,990	(8,280)
Net defined benefit liability at 31 July	<u>(15,080)</u>	<u>(23,340)</u>

Asset and Liability Reconciliation	2017	2016
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	60,250	47,000
Current service cost	2,480	1,660
Interest cost	1,440	1,690
Contributions by Scheme participants	470	420
Experience (gains) and losses on defined benefit obligations	(6,520)	9,960
Changes in financial assumptions	-	-
Net benefits paid	(1,160)	(620)
Past Service cost	-	140
Defined benefit obligations at end of period	56,960	60,250
Changes in fair value of plan assets		
	2017	2016
	£'000	£'000
Fair value of plan assets at start of period	36,910	32,840
Interest on plan assets	890	1,200
Remeasurement gain on plan assets	3,470	1,680
Employer contributions	1,300	1,390
Contributions by Scheme participants	470	420
Net benefits paid	(1,160)	(620)
Fair value of plan assets at end of period	41,880	36,910

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 £1,018; 2 Governors (2016: £1,000; 5 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 (2016: None).

26 Amounts disbursed as agent

Financial Contingency Funds	2017	2016
	£'000	£'000
Balance at 1 August	244	220
WG grants received	667	700
Interest earned	-	-
	<u>911</u>	<u>920</u>
Disbursed to students	(594)	(654)
Administration costs	(22)	(22)
Balance unspent as at 31 July	<u>295</u>	<u>244</u>

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 Further FRS102 transition adjustments to Group accounts

Consolidating the finalised financial statements of the subsidiary companies has introduced the following adjustments to the Group accounts

Group	Note	1 August 2015	31 July 2016
Financial Position		£'000	£'000
Total reserves per previous financial statements		16,724	8,863
Non government grants	(a)	83	51
Revaluation of subsidiaries land and buildings	(b)	1,989	1,989
Depreciation of buildings deemed cost	(b)	(23)	(31)
Deferred tax	(c)	(740)	(600)
Total effect on reserves		1,309	1,409
Total restated reserves under 2015 FE HE SORP		18,033	10,272

Group		Year ended 31 July 2016
Financial performance		£'000
Surplus for the year after tax per previous financial statements		419
Total comprehensive expense per previous financial statements		(7,861)
Non government grant income	(a)	(32)
Depreciation re buildings deemed cost	(b)	(9)
Release of deferred tax	(c)	22
Total effect on surplus		(19)
Restated surplus for the year		400
Deferred tax on revalued property	(c)	118
Restated total comprehensive expense for the year under 2015 FE HE SORP		(7,762)

- (a) The release of non-government grants in the subsidiaries' accounts are accounted for under the accruals model under FRS102.
- (b) On transition to FRS102 a subsidiary has elected to use the revaluation of certain land and buildings as the deemed cost of the asset. The revaluation increased shareholder funds by £1,989,000 and increased depreciation from the date of adoption by £23,000.
- (c) Under previous UK GAAP the subsidiary companies were not required to provide for taxation on revaluations unless the company had entered into a binding sale agreement. Under FRS102 the deferred taxation is recognized on the temporary timing differences arising on revaluation. The impact has been to reduce reserves by £740,000 and £600,000 on 1 August 2015 and 31 July 2016 respectively.