NPTC GROUP OF COLLEGES

Annual Report

for the year ended 31 July 2018

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 2017/18:

Mark Dacey CEO; Accounting officer
Keith Booker, Deputy CEO and Principal of the Neath Port Talbot Campuses (retired 22 December 2017)
Eleanor Glew, Vice Principal: Operational Services
Kathryn Holley, Vice Principal: Financial Services
Catherine Lewis, Vice Principal: Corporate Services (Deputy CEO as of April 2018)
Judith Williams, Vice Principal: Academic Services (Deputy CEO as of April 2018)

Board of Governors

A full list of Governors is given on page 14 of these financial statements.

Mrs G Charnock acted as Assistant Principal: Governance for the period.

Professional advisers

Independent 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 consolidated financial statements for the year ended 31 July 2018.

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 14.

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

	2017/18	Target	Prior Year Comparison	Most Recent Nat. Comparator
OUTCOMES				
SUCCESS				
COMPLETION RATE*	94%	93%	95%	93%
ATTAINMENT RATE*	88%	92%	87%	93%
SUCCESSFUL COMPLETION RATE*	84%	88%	81%	87%
A-LEVEL PASS RATE	99.1%	100%	99.9%	97.3%
STUDENT ATTENDANCE	89%	95%	90%	
VOLUMES				
FT FE ENROLMENTS (LAPS)	3,331	3,899	3,784	
HE ENROLMENT (PT &FT)	627	840	618	
FINANCE				
WG INCOME/TOTAL INCOME	70.79%	<70%	67.03%	78.87%
STAFF COSTS/TOTAL INCOME	63.44%	<70%	63.53%	63.99%
DEFICIT/TOTAL INCOME	-3.39%		-5.54%	-2.02%
EBITDA/TOTAL INCOME	4.19%	>5%	2.77%	5.91%
CURRENT RATIO	1.3	>1.2	1.66	1.64
GEARING	15.0%		16.5%	20.6%
CASH BALANCE	£6.9m		£10.4m	£5.7M
CASH DAYS	53 days	> 45 days	78 days	65 days
CAPITAL INVESTMENT/INCOME	9.76%	5%	4.96%	11.8%
PEOPLE				
COMPLAINTS RECEIVED	106		47	
STAFF FTE COUNT	823		804	
SICKNESS ABSENCE STATISTICS	4.23%		3.08%	2.8%

*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 £1,565,000 (2016/17 deficit £2,453,000), with total comprehensive income of £2,170,000, (2016/17 total comprehensive income £7,609,000). The total comprehensive income results are stated after accounting for the significant actuarial gain in 2017/18, and 2016/17, in the Local Government Pension Scheme.

The Group has accumulated reserves of £20,036,000 (2016/17: £17,866,000) and cash and cash equivalent balances of £6,898,000 (2016/17: £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 2017/18 the FE funding bodies provided 70.79 % of the Group's total income. 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 2018. The updated assumptions have reduced the pension deficit in the balance sheet by some £3 million on top of the £8 million reduction last year, but increased the charges in the statement of comprehensive income. The extra pension charges of £1.3 million (2016/17: £1.7 million) are all "non cash" adjustments, but £1 million (2016/17: £1.2 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 £265,000 deficit (2016/017: £126,000 surplus).

The contribution of the subsidiary companies has unfortunately worsened compared to the previous year. Language Specialists (International) Limited (LSI) had a disappointing year with student weeks being down on plan and other challenges. Llandarcy Park's results look poor, but they incurred a significant charge to the I&E account to reclaim access to land behind the main building for future developments; they are also suffering from the very high business rates at Llandarcy and Cymmer as a decision on rate relief is still outstanding from the local authority. 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, but netted off to a small surplus.

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 £1.8 million (2017 £4.6 million), net cash flow from operating activities was less than half of 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 2017/18 the College has delivered activity that has produced £25,686,000 in funding body main allocation funding for further education. (2016/17 – £24,110,000).

Students at NPTC Group of Colleges celebrated top results in their A Levels and vocational qualifications. Many secured places at top universities and got the qualifications to land their dream jobs after successfully getting the grades they needed.

For the 13th year in succession the overall pass rate for A Levels remained at an amazing 99 percent. Students achieved a remarkable 100 per cent pass rate in 34 A Level subjects, and 45 per cent achieved A* to B grades with a further 74 per cent gaining A* to C grades.

An additional 90 students achieved triple distinctions grades in the Extended National Diploma qualifications, with 28 students achieving the highest possible grade profile of D*D*D*. More than 266 students passed their Welsh Baccalaureate Qualification Skills Challenge Certificate with an exceptional pass rate of 94%.

Eve Vincent gained a place at Clare College, Cambridge after picking up an A* in French and A grades in English and History in her A Levels. What is unusual about Eve's story, is that she will be studying French and Russian at Cambridge after teaching herself Russian from the age of 15! When Eve decided that she wanted to study Russian at University, she enlisted the help of Nina, a Russian student who was studying English language at Neath College. Eve and Nina met twice weekly in Neath Library where Eve was also able to help Nina improve her English and the two have become firm friends. "She has actually followed my journey through the Cambridge application process quite closely and been supportive," said Eve

Welsh rugby legend Ryan Jones and Welsh Netball star Suzy Drane shared the stage with more than 200 graduates at NPTC Group of Colleges' 12th graduation ceremony, the pair were awarded Fellowships from the College at the ceremony held at Swansea University's Great Hall.

A Level student Jarrod Thomas from NPTC Group of Colleges has received a ministerial appointment to be a member of the committee on the Abertawe Bro Morgannwg Community Health Council; he joined their Neath Port Talbot Committee as a full member to represent his local community's procedures in the health sector. Jarrod is hoping to inspire others to volunteer in their local communities: "It is a brilliant opportunity to develop vital skills, gain new experiences and be a key part of community engagement and support. Since November, I have had such an amazing experience and would encourage anyone to join as a co-opted member."

Plastering student Lisa Kostromin was awarded runner-up in the 'Plaisterer's Student of the Year Award', a national plastering competition. Lisa completed Level 2 Plastering Diploma at Swansea Construction Centre (part of NPTC Group of Colleges.) This is the fifth consecutive year that the College, and the plastering department, has been recognised by this prestigious company.

A Traineeship Engagement programme with Pathways Training, the work-based learning department of NPTC Group of Colleges, has transformed Josie Pether's life. Josie, 19, from Glynneath, has autism and changes in her life, especially meeting new people, can cause anxiety and panic attacks. Thanks to Pathways Training, she has found a retail work placement at Shaw Trust, a national charity that helps people enter work, gain an education, develop their career, improve their wellbeing and rebuild their lives. Josie's learning journey was recognised when she was shortlisted for this year's Apprenticeship Awards Cymru.

NPTC Group of Colleges helped to pay tribute to one of its former lecturers by hosting a memorial concert at Nidum Arts Centre in Neath College. The show was studded with renowned musicians and performers including current and previous staff members, and College alumni. Among those performing on the evening were guitarist Jackson Lucitt, soprano Rebecca Evans and singer/songwriter Steve Balsamo.

Alan Good lectured at Neath College in the 1990s and early 2000s. Along with his fellow lecturers at that time, Alan was instrumental in raising the profile of the performing arts provision at Neath College and helped to cement the excellent reputation of the Creative and Visual Performing Arts provision.

NPTC Group of Colleges' student has received the Worshipful Livery Company of Wales Award 2018 in recognition of academic and personal success. Lauren Evans completed the BTEC Extended Diploma in Health and Social Care at Afan College in July, achieving an impressive triple distinction grade, and is now going on to study Adult Nursing at Swansea University. The Worshipful Livery Company's Margaret Davies attended Afan College to present Lauren with the School's Award for Arts, Science and Technology, along with a cheque for £250 towards books and course materials.

Student William Daniel Jones, who has just completed the BTEC and NVQ Level 3 in Civil Engineering with NPTC Group of Colleges and CITB, has received the prestigious Worshipful Livery Company Award of Wales. Liveryman, Bob Clarke presented the awards on behalf of the Worshipful Livery Company. The award aims to identify and nurture Welsh talent and promote education, science and technology, with particular emphasis on the promotion of skills and associated professional activities in Wales

Zack Evans and James Craddock-Jones, two Computing and Information Technology students from NPTC Group of Colleges won Silver and Bronze in the World Skills UK Welsh Regional Heat. The students were tasked with a professional brief to build set designs into a user-friendly functioning website from conception to completion in a live competition, including the creation of a responsive portfolio website that needed to be usable for cross-platforms

Three rugby talents from NPTC Group of Colleges are looking forward to featuring on the international rugby stage over the summer as they have been selected for the Wales U20 rugby squad for the forthcoming Rugby World Cup in France. Interim Head Coach Geraint Lewis recently selected his squad and has included current Neath College Sixth Form Academy student Rhys Henry and Sport students Tiaan Thomas-Wheeler and Dewi Cross, who make the step up after featuring for Wales U18 this year.

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 2017 to 31 July 2018, the College paid 83 per cent (2016/17 83 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 the year the Group opened the £4 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 was completed with £1.5 million support 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.

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 £20 million of net assets after including £13 million pension liability (2017: £18 million net assets including £15 million pension liability) and bank debt of £4.1 million (2017: £4.9 million).

People

The Group employs 823 people (expressed as full time equivalents) (2016/17: 804), of whom 436 (2016/17: 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.

PRINCIPLE 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.
- Failure to recruit suitable, qualified and experienced staff leading to ongoing vacancies and poor service delivery.
- 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, particularly in relation to Asbestos and Environmental Health, 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 of Colleges 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 12 December 2018 and signed on its behalf by:

Gaynor Richards

Chair of the Corporation G. J. Rich

Date 12/12/18

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 2017 to 31 July 2018 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 2018 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	Ex officio	31.07.2018	Student	
Ms M James	06.04.17	Ex officio	31.07.2018	Student	
Mr J Brunt	28.04.16	4 years	Deceased 23.07.2018	Business	Resources & General Purposes
Mr T Burgoyne	03.05.2018	4 years 2nd Term		Staff Member	Resources & General Purposes
Mrs C Cluer	03.05.2018			Staff Member	Resources & General Purposes
Mr G Cragg	10.12.98	2 years 4th term		Business	Resources & General Purposes; Chairs (Search & Governance), Remuneration
Mr M Dacey	01.05.04	Ex officio		CEO	Resources & General Purposes; Chairs (Search & Governance)
Mr S Dickerson	06.11.15	4 years 2nd term	03.05.2018	Staff Member	Resources & General Purposes
Mr H Evans- Mason	03.05.18	4 years		Co-opted Advisor (Not voting or quorum rights)	Audit
Mr K Goodley	16.12.04	4yrs 4th term		Community	Audit
Ms J Harding	22.10.08	4yrs 3rd term		Community	Resources & General Purposes
Mr J Hehir	29.03.06	4yrs 3rd term		Business	Corporation Board (Vice Chair); Audit; Remuneration; Chairs (Search & Governance)
Ms M Ifans	08.06.11	4yrs 2nd term		Business	Resources & General Purposes (Chair); Remuneration
Mr M Harvey	28.04.16	4 years		Co-opted	Audit

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served
Dr R Lewis	03.05.2018	1st term		Community	Audit;
Prof D Mead	14.02.07	4yrs 3rd term		Co-opted	Audit (Chair), Chairs (Search & Governance)
Mrs H Morgan	08.06.11	4yrs 2nd term		Co-opted	Resources & General Purposes
Mrs G Richards	30.03.11	4yrs 2nd term		Business	Corporation Board (Chair); Chairs Resources & General Purposes; Remuneration (Chair)
Mrs P Vine	24.03.10	4yrs 2nd term		Co-opted	Resources & General Purposes
Mrs G Charnock Assistant Principal: Governance					

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, Chairs (Search and Governance). Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Assistant Principal: Governance at:

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

The Assistant Principal: Governance 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 Assistant Principal: Governance, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Assistant Principal: Governance 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 Chairs and CEO 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 one member of the Board retired, one Board member sadly passed away and two Staff Governors were appointed. The Board also appointed a Co-opted advisor with regard to student and HE issues.

Corporation performance

The attendance target for the Corporation Board and the Committees for 2017-18 was 70%. The total Corporation attendance rate for 2017-18 was 76%. The total Corporation attendance rate for 2016-17 was 71%.

The breakdown of the 2017-18 attendance figures are as follows:

Chairs (Search & Governance) 80%; Resources & General Purposes 75%; Audit 73%; Remuneration 100% and Corporation Board 77%.

All Committees attained the target of 70% attendance.

Overall, 11 out of 14 Members who served for all of the 2017/2018 academic year achieved the target attendance of 70%, with eight Members achieving over 80%. The Students, new members and co-opted advisor were not included in the 2017-18 attendance figure calculations.

Remuneration Committee

Throughout the year ending 31 July 2018 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 2018 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 of Colleges 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 of Colleges for the year ended 31 July 2018 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 2018 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 of Colleges 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 2017/18 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 12 December 2018 and signed on its behalf by:

Signed ______	**Signed** ______
Date 12.12.18	**Date** 12/12/18
Gaynor Richards, Chair of the Corporation	**Mark Dacey, CEO**

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

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

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

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

………………………………	………………………………
Mark Dacey	**Gaynor Richards**
Accounting Officer	**Chair of Governors**
12 December 2018	**12 December 2018**

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 2017 to 2018* 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** 12.12.18

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

We have audited the financial statements, included within the Annual report for the year ended 31st July 2018 (the "Annual Report"), which comprise the Group and College Balance Sheets as at 31st July 2018; 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 a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

- the 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 14, 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 Governing Body as a body in accordance with Article 18 of the institution's articles of government and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other Required Reporting

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

In our opinion, in all material respects:

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
17 December 2018

Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	32,687	31,424	29,862	28,630
Tuition fees and education contracts	3	7,458	4,595	8,118	4,721
Other grants and contracts	4	681	681	356	356
Other income	5	5,332	3,691	6,197	4,112
Investment income	6	14	5	20	20
Total income		**46,172**	**40,396**	**44,553**	**37,839**
EXPENDITURE					
Staff costs	7	29,167	26,139	28,303	25,276
Fundamental restructuring costs	7	125	125	219	219
Other operating expenses	8	14,931	12,276	14,800	11,400
Depreciation	11	2,571	2,228	2,583	2,248
Amortisation	10	276	-	276	-
Interest and other Finance costs	9	635	634	828	827
Total expenditure		**47,705**	**41,402**	**47,009**	**39,970**
(Deficit) before other gains and losses		**(1,533)**	**(1,006)**	**(2,456)**	**(2,131)**
(Loss)/gain on disposal of assets		(13)	3	3	3
Deficit before tax		**(1,546)**	**(1,003)**	**(2,453)**	**(2,128)**
Taxation		(19)	-	(16)	-
Deficit for the year		**(1,565)**	**(1,003)**	**(2,469)**	**(2,128)**
Deferred tax on revaluation of property in subsidiaries		25	-	88	-
Actuarial gain in respect of pensions schemes	24	3,710	3,710	9,990	9,990
Total comprehensive income for the year		**2,170**	**2,707**	**7,609**	**7,862**
Represented by:					
Unrestricted comprehensive income		**2,170**	**2,707**	**7,609**	**7,862**

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Restated Balance at 1 August 2016 (note 27)	**4,247**	**6,010**	**10,257**
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	**12,042**	**5,824**	**17,866**
Deficit from the income and expenditure account	(1,565)	-	(1,565)
Other comprehensive income	3,710	25	3,735
Transfers between revaluation and income and expenditure reserves	211	(211)	-
Total comprehensive income for the year	2,356	(186)	2,170
Balance at 31 July 2018	**14,398**	**5,638**	**20,036**
College			
Balance at 1 August 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**
Deficit from the income and expenditure account	(1,003)	-	(1,003)
Other comprehensive income	3,710	-	3,710
Transfers between revaluation and income and expenditure reserves	186	(186)	-
Total comprehensive income for the year	2,813	(186)	**2,707**
Balance at 31 July 2018	**17,190**	**4,453**	**21,643**

Consolidated and College balance sheets as at 31 July 2018

	Notes	Group	College	Group Restated	College
		2018	2018	2017	2017
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible Fixed assets	10	792	-	1,068	-
Tangible Fixed assets	11	46,251	39,605	44,345	37,714
Investments	12	-	8,299	-	8,299
Investment in Joint Venture	12	17	-	-	-
		47,060	**47,904**	**45,413**	**46,013**
Current assets					
Stocks	13	256	251	289	282
Trade and other receivables	14	4,317	4,702	4,102	4,515
Cash and cash equivalents	19	6,898	5,527	10,369	8,587
		11,471	**10,480**	**14,760**	**13,384**
Less: Creditors – amounts falling due within one year	15	(8,766)	(7,660)	(8,906)	(7,588)
Net current assets		**2,705**	**2,820**	**5,854**	**5,796**
Total assets less current liabilities		**49,765**	**50,724**	**51,267**	**51,809**
Creditors – amounts falling due after more than one year	16	(15,045)	(14,919)	(16,276)	(16,276)
Provisions					
Defined benefit obligations	18	(12,720)	(12,720)	(15,080)	(15,080)
Other provisions	18	(1,964)	(1,442)	(2,045)	(1,517)
Total net assets		**20,036**	**21,643**	**17,866**	**18,936**
Unrestricted Reserves					
Income and expenditure account		14,398	17,190	12,042	14,297
Revaluation reserve		5,638	4,453	5,824	4,639
Total unrestricted reserves		**20,036**	**21,643**	**17,866**	**18,936**

The financial statements on pages 23 to 47 were approved and authorised for issue by the Corporation on 12 December 2018 and were signed on its behalf on that date by:

Signed ____________________ **Signed** ____________________

Gaynor Richards, Chair of the Corporation **Mark Dacey, CEO**

Consolidated Statement of Cash Flows

	Notes	Year ended 2018 £'000	Year ended 2017 £'000
Cash flow from operating activities			
Deficit for the year		(1,565)	(2,469)
Adjustment for non-cash items			
Depreciation and amortisation		2,847	2,859
Decrease/(increase) in stocks		33	(33)
Increase in debtors		(215)	(519)
(Decrease)/Increase in creditors due within one year		(142)	1,577
(Decrease)/Increase in creditors due after one year		(705)	1,326
Decrease in provisions		(81)	(193)
Pensions costs less contributions payable		980	1,180
Taxation		6	72
Share of operating surplus in joint venture		(7)	-
Adjustment for investing or financing activities			
Investment income		(14)	(20)
Interest payable		635	828
Taxation payable		19	16
Loss/(gain) on sale of fixed assets		13	(3)
Net cash flow from operating activities		**1,804**	**4,621**
Cash flows from investing activities			
Proceeds from sale of fixed assets		28	212
Investment income		7	20
Payments made to acquire fixed assets		(4,383)	(2,211)
		(4,348)	(1,979)
Cash flows from financing activities			
Interest paid		(233)	(257)
Interest element of Finance lease rental payments		(32)	(21)
New leases		224	339
Repayments of amounts borrowed		(701)	(727)
Capital element of Finance lease rental payments		(185)	(166)
		(927)	(832)
(Decrease)/Increase in cash and cash equivalents in the year		**(3,471)**	**1,810**
Cash and cash equivalents at beginning of the year	19	10,369	8,559
Cash and cash equivalents at end of the year	19	6,898	10,369

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 2017 to 2018 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 2018. The Group's share of the results of joint ventures is included in the Consolidated Income Statement using the equity method of accounting. Investments in joint ventures are carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value.

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 £4.1 million 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 comprehensive income.

Actuarial gains and losses are recognised immediately in the statement of comprehensive 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 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent Welsh Government grants				
FE funding grant	25,686	25,686	24,110	24,110
Work Based Learning (Note 2a)	5,347	4,084	4,284	3,052
Specific grants				
Release of government capital grants	654	654	683	683
Other specific grants	1,000	1,000	785	785
Total	**32,687**	**31,424**	**29,862**	**28,630**

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	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Total income	12,314	12,314	9,525	9,525
Payments to FE partners	(4,402)	(4,402)	(2,994)	(2,994)
Payments to non FE partners	(2,565)	(3,828)	(2,247)	(3,479)
Net income attributable to the Group & College	**5,347**	**4,084**	**4,284**	**3,052**

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Tuition fees	3,165	3,165	3,445	3,445
Cost recovery courses	262	262	288	286
Examination fees	37	37	39	39
Registration fees	85	17	65	22
International students fees	2,795	-	3,360	8
Total tuition fees	6,344	3,481	7,197	3,800
Education contracts	1,114	1,114	921	921
Total	**7,458**	**4,595**	**8,118**	**4,721**

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
European Commission	681	681	356	356
Total	**681**	**681**	**356**	**356**

5 Other income

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	1,019	675	1,000	630
Other income generating activities	3,875	2,754	4,614	3,179
Other grant income	361	185	510	230
Non-government capital grants	77	77	73	73
Total	**5,332**	**3,691**	**6,197**	**4,112**

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	2	2	1	1
Other interest receivable	5	3	19	19
Share of Joint Venture result	7	-	-	-
Total	**14**	**5**	**20**	**20**

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:

	2018	2018	2017	2017
	Group	College	Group	College
	No.	No.	No.	No.
Teaching staff	436	436	438	438
Non-teaching staff	387	275	366	272
Total	**823**	**711**	**804**	**710**

Staff costs for the above persons	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
Wages and salaries	22,286	19,535	21,677	18,929
Social security costs	2,124	1,899	2,050	1,813
Other pension costs (Note 24)	4,349	4,301	4,241	4,200
Payroll sub total	**28,759**	**25,735**	**27,968**	**24,942**
Contracted out staffing services	408	404	335	334
	29,167	**26,139**	**28,303**	**25,276**
Fundamental restructuring costs – Non Contractual	125	125	219	219
Total Staff costs	**29,292**	**26,264**	**28,522**	**25,495**

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 2017/18 comprised the CEO, Deputy CEO & Vice Principal: Academic Services, Deputy CEO & Vice Principal: Corporate Services, Vice Principal: Financial Services and Vice Principal: Operational Services.

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

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	5	5

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

	Key management personnel		Other staff	
	2018 No.	2017 No.	2018 No.	2017 No.
£60,001 to £70,000 p.a.	-	-	-	6
£70,001 to £80,000 p.a.	-	-	6	-
£80,001 to £90,000 p.a.	4	3	-	-
£90,001 to £100,000 p.a.	-	1	-	-
£140,001 to £150,000 p.a.	1	1	-	-
	5	5	6	6

Key management personnel emoluments are made up as follows:

	2018	2017
	£'000	£'000
Salaries	494	503
Benefits in kind	-	-
	494	503
Pension contributions	84	81
Total emoluments	578	584

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:

	2018	2017
	£	£
Salaries	146,450	147,296
Benefits in kind	-	-
	146,450	147,296
Pension contributions	24,135	24,274

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

	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	6,297	6,297	5,305	5,305
Non-teaching costs	4,703	3,101	5,886	3,118
Premises costs	3,931	2,878	3,609	2,977
Total	**14,931**	**12,276**	**14,800**	**11,400**

Other operating expenses include:

	2018 £'000	2017 £'000
External auditors- audit of College	27	27
External auditors- audit of subsidiaries	24	24
External auditors- regulatory services	11	11
External auditors- taxation services	11	11
External auditors- other services*	30	168
Internal audit	29	27
Hire of assets under operating leases	180	177

*Other services refers to due diligence services (2017: due diligence).

9 Interest and other Finance costs

	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
On bank loans, overdrafts and other loans:	181	181	200	200
	181	181	200	200
Enhanced pension provision	32	31	21	20
On finance leases	52	52	57	57
Pension finance costs (Note 24)	370	370	550	550
Total	**635**	**634**	**828**	**827**

10 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 August 2017	2,768
At 31 July 2018	**2,768**
Accumulated amortisation	
At 1 August 2017	**1,700**
Charge for the year	276
At 31 July 2018	**1,976**
Net book value at 31 July 2018	**792**
Net book value at 31 July 2017	1,068

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

	Land and buildings Freehold	Land and buildings Long leasehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2017	5,780	58,476	8,688	942	73,886
Transfers	-	942	-	(942)	-
Additions	-	3,520	968	10	4,498
Disposals	(14)	(59)	(159)	-	(232)
At 31 July 2018	**5,766**	**62,879**	**9,497**	**10**	**78,152**
Accumulated depreciation					
At 1 August 2017	-	22,794	6,747	-	29,541
Charge for the year	-	1,833	738	-	2,571
Elimination in respect of disposals	-	(52)	(159)	-	(211)
At 31 July 2018	**-**	**24,575**	**7,326**	**-**	**31,901**
Net book value at 31 July 2018	**5,766**	**38,304**	**2,171**	**10**	**46,251**
Net book value at 31 July 2017	5,780	35,682	1,941	942	44,345

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

	Land and buildings Freehold	Land and buildings Long leasehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2017	5,780	51,717	8,265	942	66,704
Transfers	-	942	-	(942)	-
Additions	-	3,348	782	10	4,140
Disposals	(14)	(59)	(159)	-	(232)
At 31 July 2018	**5,766**	**55,948**	**8,888**	**10**	**70,612**
Accumulated depreciation					
At 1 August 2017	-	22,408	6,582	-	28,990
Charge for the year	-	1,567	661	-	2,228
Elimination in respect of disposals	-	(52)	(159)	-	(211)
At 31 July 2018	-	23,923	7,084	-	31,007
Net book value at 31 July 2018	**5,766**	**32,025**	**1,804**	**10**	**39,605**
Net book value at 31 July 2017	5,780	29,309	1,683	942	37,714

Land and buildings were valued in 2013 at depreciated replacement cost by a firm of independent chartered surveyors.

The net book value of equipment includes an amount of £738,000 (2016/17 – £566,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £157,000 (2016/17 – £145,000).

12 Investments (College only)

	College 2018 £'000	College 2017 £'000
Investments in subsidiary companies	8,299	8,299
Total	**8,299**	**8,299**

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

Investment in Joint Venture (College only)

	College 2018 £'000	College 2017 £'000
Investments in subsidiary companies	17	10
Total	**17**	**10**

The College has the following Joint Ventures:

Name	% ownership	Country of incorporation	Principal activity
JGR Educate LLP	50	UK	Recruitment and training

13 Stock

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Farm stock	251	251	282	282
Other stock	5	-	7	-
Total	**256**	**251**	**289**	**282**

14 Trade and other receivables

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Amounts falling due within one year:				
Trade receivables	980	679	1,156	647
Amounts owed by group undertakings:				
Subsidiary undertakings	-	1,075	-	1,321
Prepayments and accrued income	3,337	2,948	2,946	2,547
Total	**4,317**	**4,702**	**4,102**	**4,515**

15 Creditors: amounts falling due within one year

	Group 2018 £'000	College 2018 £'000	Restated Group 2017 £'000	Restated College 2017 £'000
Bank loans and overdrafts (Note 17a)	690	690	723	723
Obligations under finance leases (Note 17b)	212	180	156	138
Trade payables	1,305	844	1,090	792
Amounts owed to group undertakings:				
Subsidiary undertakings	-	323	-	572
Other taxation and social security	530	472	525	463
Accruals and deferred income	4,713	3,902	5,055	3,629
Holiday pay accrual	586	519	601	515
Deferred income - government capital grants	730	730	756	756
Total	**8,766**	**7,660**	**8,906**	**7,588**

16 Creditors: amounts falling due after one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans (Note 17a)	3,465	3,465	4,133	4,133
Obligations under finance leases (Note 17b)	547	421	405	405
Deferred income - government capital grants	11,033	11,033	11,738	11,738
Total	**15,045**	**14,919**	**16,276**	**16,276**

17 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	690	690	723	723
Between one and two years	519	519	710	710
Between two and five years	1,219	1,219	1,402	1,402
In five years or more	1,727	1,727	2,021	2,021
Total	**4,155**	**4,155**	**4,856**	**4,856**

The bank loans are as follows:

Bank	Amount £'000	Rate	Term
Bank of Scotland	392	75bps above base rate	20 years
Lloyds TSB	1,561	4.096% fixed	16 years
Santander	2,197	4.880% fixed	16 years
Salix	5	0%	6 years

Bank loans repayable by instalments falling due between 1 August 2017 and 31 July 2028 totalling £2,589,000, 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 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	212	180	156	138
Between two and five years	547	421	405	405
Total	**759**	**601**	**561**	**543**

Finance lease obligations are secured on the assets to which they relate. The Group has acquired tangible assets under finance leases of £224,000 (2017: £339,000) in the year.

18 Provisions

	Defined benefit obligations £'000	Enhanced pensions £'000	College Total £'000	Deferred Taxation £'000	Group Total £'000
At 1 August 2017	15,080	1,517	16,597	528	17,125
Expenditure in the period	(3,710)	(107)	(3,817)	(6)	(3,823)
Additions in period	1,350	32	1,382	-	1,382
At 31 July 2018	**12,720**	**1,442**	**14,162**	**522**	**14,684**

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:

	2018	2017
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 (Group)

	At 1 August 2017	Cash flows	Other changes	At 31 July 2018
	£'000	£'000	£'000	£'000
Cash and cash equivalents	10,369	(3,471)	-	6,898
Total	**10,369**	**(3471)**	**-**	**6,898**

20 Capital and other commitments

	Group and College	
	2018	2017
	£'000	£'000
Capital commitments as at 31 July	25	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 2018	College 2018	Group 2017	College 2017
	£'000	£'000	£'000	£'000
Land and buildings				
Not later than one year	8	-	8	-
Later than one year and not later than five years	69	-	69	-
Later than five years	304	3,366	304	3,570
Total	**381**	**3,366**	**381**	**3,570**

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		**2018**		**2017**
		£'000		**£'000**
Teachers' Pension Scheme: contributions paid		1,819		1,792
Local Government Pension Scheme:				
Contributions paid	1,570		1,300	
FRS 102 (28) charge	980		1,180	
Charge to the Statement of Comprehensive Income		2,550		2,480
Other pension schemes: Contributions paid		0		41
Enhanced pension charge		(20)		(72)
Total Pension Cost for Year within staff costs (Note 7)		**4,349**		**4,241**

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 £441,000 (2017: £385,000) 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' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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. Retirement and other pension benefits are paid by public funds provided by Parliament.

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.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2012. 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 (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable at some point in 2019.

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

The pension costs paid to TPS in the year amounted to £1,819,000 (2017: £1,792,000)

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 2018 were £2,060,000, of which employer's contributions totalled £1,470,000 and employees' contributions totalled £490,000. The agreed contribution rates for future years are 17.7% plus an annual capital contribution of £168,400 (previously 14.7% plus an annual capital contribution of £168,000) for employers and range from 5.5% to 7.5% for employees, depending on salary.

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

	At 31 July 2018	**At 31 July 2017**
Rate of increase in salaries	3.6%	3.5%
Future pensions increases	2.1%	2.0%
Discount rate for scheme liabilities	2.8%	2.6%
Inflation assumption (CPI)	2.1%	2.0%

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 2018	At 31 July 2017
	Years	years
Retiring today		
Males	22.9	22.9
Females	24.6	24.4
Retiring in 20 years		
Males	24.5	24.5
Females	26.3	26.2

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 2018	Fair Value at 31 July 2017
	£'000	£'000
Equity instruments	35,680	32,415
Debt instruments	6,855	6,240
Property	2,099	2,052
Cash	2,006	1,173
Total fair value of plan assets	**46,640**	**41,880**
Present value of scheme liabilities	**(59,360)**	**(56,960)**
Net pensions (liability) (Note 18)	**(12,720)**	**(15,080)**

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

	2018	2017
	£'000	£'000
Amounts included in staff costs		
Current service cost	2,520	2,480
Past service cost	30	-
Total	**2,550**	**2,480**
Amounts included in interest cost		
Net interest income	370	550
	2,920	**3,030**

Amount recognised in Other Comprehensive Income

Return on pension plan assets	2,780	3,470
Changes in assumptions underlying the present value of plan liabilities	930	6,520
Amount recognised in Other Comprehensive Income	**3,710**	**9,990**

Defined benefit obligations at start of period	56,960	60,250
Current service cost	2,520	2,480
Interest cost	1,470	1,440
Contributions by Scheme participants	490	470
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	(930)	(6,520)
Estimated benefits paid	(1,180)	(1,160)
Past Service cost	30	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**59,360**	**56,960**

Changes in fair value of plan assets

Fair value of plan assets at start of period	41,880	36,910
Interest on plan assets	1,100	890
Return on plan assets	2,780	3,470
Employer contributions	1,570	1,300
Contributions by Scheme participants	490	470
Estimated benefits paid	(1,180)	(1,160)
Fair value of plan assets at end of period	**46,640**	**41,880**

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 £1,168; 4 Governors (2017: £1,018; 2 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 (2017: None).

26 Amounts disbursed as agent

Financial Contingency Funds

	2018	2017
	£'000	£'000
Balance at 1 August	295	244
WG grants received	667	667
Interest earned	-	-
	962	911
Disbursed to students	(560)	(594)
Administration costs	(22)	(22)
Balance unspent as at 31 July	380	295

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 Restating of Group Income and expenditure reserves

During the year, a Group subsidiary company, NPTC Enterprises, entered into a joint venture. Prior to this, the company had been dormant. It was identified that the dormant company accounts were erroneously omitted from the prior year accounts, and so they have been restated with the following adjustment:

	2016/17	Adjustment	2016/17
	Original		Restated
	£'000	£'000	£'000
Creditors: amounts falling due within one year			
Trade payables	1,076	14	1,090
Unrestricted Reserves			
Income and expenditure account	12,056	(14)	12,042