



CARDIFF AND VALE COLLEGE

**CONSOLIDATED ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JULY 2020**

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CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

REPORT OF THE GOVERNING BODY

The Governing Body presents its annual report and the audited financial statements of Cardiff and Vale College ("the College") for the year ended 31 July 2020.

Legal status

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

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

Vision

To be a leading educational business.

Mission

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

Values

Inspirational. Inclusive. Influential.

Public benefit

The College is an exempt charity and is regulated by the Welsh Government as Principal Regulator for all FE Corporations in Wales. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 18 to 20. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

The delivery of public benefit is set out in this report of the Governing Body.

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REPORT OF THE GOVERNING BODY

Strategic direction

The College has established a three-year development plan that sets out its Vision and Strategic Priorities. Under each strategic priority are a number of specific focuses for performance improvement and delivery:

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

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

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

The Governing Body monitors the performance of the College against this plan.

Learner numbers

In 2019/20 the College provided opportunities for 26,193 learners, including:

- 5,677 learners on full-time courses
- 559 learners on higher education courses
- 51 Junior Apprentices
- 189 school pupils aged 14-19 on part-time learning pathways
- 11,224 on apprenticeship and traineeship programmes
- 8,262 adults studying on a part-time basis
- 231 learners studying through franchise arrangements in the community

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2019/20 – the College's performance

2019/20 will be remembered for the unprecedented challenges caused by the Covid-19 pandemic in the final term of the year. However, despite the difficult circumstances, the College's learners continued to achieve positive outcomes.

Most students were adept at engaging with new, unfamiliar modes of learning when lockdown restrictions required College campuses to close, and the College was committed to providing increased support – such as digital resources, additional learning and pastoral support, and provision of food parcels to those most in need - to those learners who, due to the nature of their chosen course or their individual circumstances, found the situation more challenging.

Where possible, most learners were able to successfully complete their qualifications as planned and progress to the next stage of their learning or careers – albeit in very different circumstances than could have been envisaged at the start of the year.

Further details regarding the College's performance in the year are outlined below.

- Awarding bodies introduced new assessment policies resulting in a 'Calculate, Adapt or Delay' approach to awarding qualifications. Accordingly, the College introduced a robust assessment process to ensure grades were allocated accurately and fairly, in line with three-year trends. The College calculated over 55,000 individual grades over 642 courses, conducted 1,310 adapted assessments, and undertook on-site assessments in July for learners who required an assessment to satisfy the requirements of 'licence to practice' qualifications;
- 90% of Junior Apprentice learners achieved A*-G grades in English, maths and numeracy, an increase from 78% in the prior year. Of the 30 graduating, 97% secured progression routes, with 70% enrolling in post-16 FE programmes and 27% into traineeships;
- The College's strong attendance record continued in the year, with an overall annual attendance rate of 90%;
- Learner Voice satisfaction improved in many areas over the last three years, with all KPI targets achieved, and teaching and learning satisfaction scores regularly exceeding 95%. Although the final survey in the year could not be undertaken due to the pandemic, a programme of focus groups was run, focusing on wellbeing and access to remote teaching and learning. The results were positive and used to inform practice moving forward, and was shared with the National Union of Students as good practice;
- Progression of learners from their starting points into further learning, apprenticeships or employment is excellent and provide exemplary employability provision, work-related education and links with employers;
- The College's China partnership saw 19 students progressing from the CAVC Shanghai Centre to Cardiff, where they completed their A2 awards and now progress to a range of UK University destinations including Cardiff, Edinburgh, Manchester and King's College London.

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REPORT OF THE GOVERNING BODY

Learner achievements

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

- The Cardiff and Vale College Group won more medals in Skills Competition Wales finals than any other Further Education institution or training provider in the country. In total, students from the CAVC Group won 35 medals – 14 gold, 13 silver and 8 bronze – in a wide range of competitions.
- 7 CAVC students took part in the WorldSkills UK Finals: Kristian Brooks (highly commended), Morgan McNeil (winning Silver), Scott Roberts (winning Bronze) and Tomek Pawelek - all in Network Systems Administration; Holly Edwards (highly commended) in Beauty Therapy; James Ackland in Wall and Floor Tiling and Marc Emery in Painting and Decorating;
- 14 ACT students also took part in Skills Competition Wales across a number of sectors and were awarded 8 medals;
- At the Inclusive Skills competition for learners with additional learning, CAVC Group students won gold and silver in Fitness Assistant, two silvers in Media and a bronze in Restaurant Service;
- Nathan Evans joined his fellow players Jake Thomas and Evan Lloyd as CAVC's third Academy player signing a three-year contract with the Cardiff Blues Academy;
- The CAVC/Glamorgan Cricket Club Education and Cricket Academy entered the Welsh Colleges 24s competition for the first time, and won;
- Jack Pascoe, Sport & Excellence student and Captain of the CAVC Football Academy, has signed a full scholarship with Casper College in Wyoming, USA;
- Lizzy Lewis came second in the Springboard Junior Master Chef competition in February;
- Auto student Will Davies won Ford Panel Apprentice of the Year;
- Kaiden Ashun won the Welsh heat of Sparks Electrical Apprentice of the Year;
- Level 3 Theatrical Makeup student Natalie Lupton won 1st prize in the Welsh heat of the Concept Apprentice of the Year 2020 contest, and will now progress to the UK Finals;
- FD Film learner, Meg O'Brien was named Creative Student of the Year and Film/Media lecturer, Cristina Raad won Creative Tutor of the Year at the Creative and Cultural Skills Wales Awards. Our shared apprenticeship programme Media Academy Cardiff won Creative Collaboration of the Year;
- April Dee, former Access to HE learner (Nursing and Midwifery), was runner up in the Agored Cymru Access to Higher Education Learner of the Year Award for Outstanding Achievement;
- Jacquie Sweeting a former Access to Nursing learner (Now qualified Intensive Care Nurse at UHW) has secured a secondment teaching international nurses to become registered with our UK Nursing and Midwifery Council (NMC).

Curriculum and other developments and achievements

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

- The Project Search Internship, where learners with learning disabilities or autism undertake work placements with employers such as Dow Corning, Cardiff University and the College's catering and retail outlets. This real life programme develops the skills that this disadvantaged group will need to become skilled and employable people;
- Launch of the 24/7 virtual open day and move to online enrolment for 2020/21;
- Launch of a new shared apprenticeship programme in collaboration with Sgil Cymru in the creative industries sector;
- In Higher Education, the College funded and conducted two research projects, and 8 staff were successful in their applications to become fellows;
- Staff and learners used their skills and experience to support our community during the Covid crises. Some staff and learners worked in hospitals and care homes, while others made masks and visors from their homes. ESOL learners volunteered in community centres, providing food for NHS Staff and cooking for the community. The College and ACT also donated PPE and provided food to learners who needed it;
- The College was one of just 20 colleges across the UK to be inducted into the WorldSkills UK Centre of Excellence. Working in partnership with education and skills charity NCFE, the WorldSkills UK Centre of Excellence will embed world-class standards in skills development;
- Automotive Lecturers Ben Young, Lee Summerhayes, Peter Gibbons, Richard Power and Dan Sweet attended the WorldSkills UK Finals as judges, as did Cyber Security and IT System Support Lecturer Peter Franklin;
- The College has made significant investment in technology-enhanced learning, with staff supported by in-house digital leaders. The benefit was apparent when the College was able to move smoothly to remote delivery and continue to engage learners effectively;
- The Regional ESOL Assessment Central Hub (REACH) has continued to meet the growing needs for ESOL (English for Speakers of Other Languages) education in the region. The team has also supported the creation of centres in Newport, Swansea and Wrexham and won the tender to support refugees across the region with the ReStart: Refugee Integration project.
- The College worked in partnership with Velindre and Public Health Wales to develop a course to address the issue of the late detection of cancer, which disproportionately affects the non-English speaking black and minority ethnic community. This project will be mirrored in 2020/21 producing resources to raise awareness of Covid;
- The inaugural 'Edfest' – a fully online continuing professional development (CPD) festival for staff – took place in July 2020;
- The College entered into a 10-year extension of both our Shanghai and Changzhou CAVC Campus agreements. There was also the addition of two new CAVC branded Campuses in China at Pinghu and Yiwu opening in September 2020.

Curriculum and other developments and achievements (continued)

- The College was one of only 19 Welsh employers to receive the silver award through the Defence Employer Recognition Scheme, in recognition of its support for the armed forces community;
- The Additional Learning Needs team received a Nasen Award for Post 16-25 Provision. Nasen is a national organisation to promote identifying the needs of young people;
- The College remains the only Microsoft Showcase College in Wales and was awarded a certificate of excellence by Prodigy for the number of Microsoft Exams achieved;
- The College received 3 NTFW awards for Employer, Future Talent and Heritage skills, as well as Wales Creative Collaboration of the Year Award in partnership with Media Academy Cardiff;
- The College was proud to be awarded two Times Education Supplement (TES) awards – for outstanding use of technology for improving teaching, learning and assessment, and for contribution to the local community.
- The College was featured as a case study in Estyn's recent thematic review on the experiences of LGBTQ+ young people in Wales;
- The College received two Association of Colleges Beacon Award commendations for our work with employer engagement and our focus on excellence in teaching and learning.
- The College continued to work to support inclusivity across our region, winning the National Centre for Diversity award for Impact on our Community.

Partnerships

The College is committed to supporting employers and communities across Cardiff and the Vale:

- The College has developed strong partnerships with local employers, and most learners undertake work experience and or work-related education. A number of organisations including Wales Millennium Centre, Cardiff and Vale of Glamorgan Local Health Boards, Cardiff Council, BBC, Principality, Bentleys, Deloitte, Admiral and Lloyds deliver workshops or offer internships for learners to improve their skills and gain experienced tailored to their career aspirations;
- The College works closely with local authorities and the Education Achievement Service, sharing professional development activities for teaching and hosting the Seren Project, a specific scheme for more able and talented learners;
- The College has also developed further effective partnerships with the Welsh Rugby Union, Welsh Rugby Players Association, Cardiff City, Cardiff Blues and the Military Preparation Training College, to offer different opportunities for stimulating learning in our community.
- The College has long standing partnerships with third-sector organisations such as Vision 21, the Ministry of Life, and the Media Academy Cardiff;
- The College's sector-specific Employer Advisory Boards strengthen relationships with employers, ensuring local skills and economic growth needs are met;
- Learners work extensively with the BBC and other major media and creative organisations such as Welsh National Opera Design Challenge, Make Art not War with the Imperial War Museum, the New Theatre, live music events in the city, and the 'BBC Introduces' music programme.

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REPORT OF THE GOVERNING BODY

Principal risks, opportunities and uncertainties

As part of the strategic planning process the Executive Team undertakes a review of the risks that might impact on the achievement of the College's strategic aims and objectives. In addition, each Dean and Director develops a risk register for their own faculty or directorate.

These reviews consider the systems and procedures that already exist to mitigate any potential impact on the College of the identified risks and define any additional actions that might be required to further reduce the likelihood or impact of the identified risks.

A risk register is developed that records the key strategic risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks.

The Operational Executive Team considers risk management issues as part of each meeting and undertakes a formal review of the risk register every term that is reported to the Audit Committee.

Outlined below is a description of the principal risk factors that affect the College. Not all the factors are within the College's control, and other factors besides those listed below may also adversely affect the College.

Covid-19

The risks faced by the College in relation to the Covid-19 pandemic can be summarised into three broad categories:

- Risks to the health, safety and wellbeing of staff, learners and visitors;
- Risks to the College's ability to effectively continue activities and achieve positive outcomes for its learners and communities;
- Risks to the ongoing financial health and resilience of the CAVC group business.

In formulating its approach to the above risks, the College and its subsidiaries ensured that the Welsh Government guidance (and where appropriate, UK Government, Health and Safety Executive and any other applicable regulations/guidance) is adhered to; this informed the risk assessments and safe schemes of work, which were consulted on with recognised trade unions and made available for staff to review on the staff intranet. In addition, user-friendly "Staying Safe on Campus" guides for staff and students were produced.

The Executive are mindful of the increased risk faced by some individuals (e.g. those who were previously shielding or have other increased risk factors such as ethnicity or health conditions) and have put in place additional specific procedures to ensure that the risk to these individuals (whether staff or learner) is mitigated as far as reasonably possible.

In many cases, completion of learner qualifications delayed due to lockdown restrictions was achieved either through licence to practice assessments undertaken during the summer, or by adaptations made to assessment methods agreed with awarding bodies. However, some unresolved issues remain in this respect, and discussions with awarding bodies continue to ensure that learners are not adversely affected.

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Principal risks and uncertainties (continued)

Covid-19 (continued)

Cash flow remained healthy throughout the year despite the pandemic; the impact of government support and cost savings since lockdown in March 2020 more than offset any reductions in income resulting from suspended activities. The College and ACT were also able to access UK Government's Coronavirus Job Retention Scheme (CJRS) funding for furloughed staff. In accordance with Welsh Government stipulations, CJRS funding was not claimed for any employees whose posts are substantively funded by Welsh Government funding that continued to be received during the period.

The scale of financial risk in 2020/21 remains subject to significant uncertainty directly linked to the impact of the ongoing pandemic, changes in restrictions and for instance the changes in the ongoing support from the CJRS. Although core FE funding allocations have not been affected by Covid-19, many other income streams are likely to be hard hit. Over £2m of additional funding has already been agreed by WG to contribute towards certain additional costs incurred by Colleges due to Covid-19, and the sector remains in discussions with WG regarding other additional costs as they are identified. Where possible the College will seek to protect provision and protect jobs and so opportunities for reducing costs are being reviewed on an ongoing basis.

Funding growth

With effect from 2019/20, the Welsh Government revised its funding allocation methodology for the further education sector.

The new methodology funds Colleges for growth in full-time learner numbers, taking into account expected regional demographic changes, and thus addressing the Wales Audit Office's recommendation that funding be more closely linked with demand for further education in each area. Changes were also made to the allocation of funding for part-time learners to ensure a more even allocation across the sector that had previously disadvantaged the College.

The new methodology resulted in the College being allocated additional core grant funding of £4.7million in the year, 16% higher than in the prior year. This welcome change reflected the consistent growth in learner demand in recent years, and recognised the extent to which the College had supported that demand without appropriate funding.

In addition to its core grant funding, the College has also been allocated £2.8million in the forthcoming year through the Welsh Government's new Personal Learning Account (PLA) scheme. The scheme enables employed individuals who meet eligibility criteria to access fully funded training in government priority areas.

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

Principal risks and uncertainties (continued)

Future funding

Whilst the changes to the funding allocations noted above should have reduced the risk to the College of future funding not supporting demographic growth, the potential impact of the pandemic on the UK economy and future levels of public expenditure do give rise to a higher risk that the College may face future funding challenges.

Developing resilience and new sources of funding

In recent years the College has implemented a strategy of improving resilience through the acquisition of ACT group in 2016/17 and Apprenticeship Learning Solutions (ALS) in 2017/18. This strengthened the group's position as the leading provider of apprentices in Wales, and reduced reliance on its core FE funding grant.

The College has continued to proactively engage with new initiatives to further develop skills and opportunities for individuals, employers and communities.

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

Work-based learning

The College and subsidiary companies Associated Community Training and Apprenticeship Learning Solutions have submitted bids for the Welsh Government's procurement exercise for work-based learning provision, commencing in August 2021. This exercise represents a strategic risk and opportunity for the College's ambition to continue to develop its work-based learning activities and enhance opportunities for learners and employers.

WG have also recently announced a tender process to replace the traineeship programme that ACT delivers will shortly commence with a view to new contracts being awarded from April 2022.

Brexit

Brexit continues to give rise to uncertainty – this could directly affect the College with the removal of ESF funding that currently contributes 25% of the Welsh Government's Work-based Learning budget.

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

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The group's resources

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

The estate

The estate continues to change significantly as a result of the implementation of the Estate Strategy. The net book value of the freehold land and buildings at 31 July 2020 was £74.9million (2019: £76.4million).

Financial

At 31 July 2020, the Group had net assets excluding pension liabilities of £36.2million (2019: net assets of £32.1million).

When the pension liability of £41.9million (2019: £20.4million) is included the Group had net liabilities of £5.9million (2019 net assets of £11.7million)

People

During the year the Group employed an average of 1,209 staff (2019: 1,200) (expressed as full time equivalents).

Reputation

The College, ACT and ALS have excellent reputations locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and developing external relationships.

Financial strategy

The Governing Body approved the financial strategy in June 2020 that set out the College's financial objectives to generate operational surpluses and net increases in cash to finance:

- on-going activity;
- new investment;
- asset replacement;
- the estate strategy; and
- to provide or maintain a financial reserve.

The Governing Body is content that the philosophy of the strategy and the underlying objectives outlined above remain appropriate in the medium and long term.

However, it is acknowledged that the uncertainty relating to the Covid-19 pandemic means that the College faces exceptional risks, challenges and uncertainties that will limit the extent to which it can in the short term meet all normal financial strategy targets. The Governing Body, therefore, agreed that the focus for the forthcoming year be resilience and stability, whilst restricting new investment and growth in capacity to a more limited number of strategic priorities.

CARDIFF AND VALE COLLEGE

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The group's resources (continued)

Reserves

At 31 July 2020, the College had "cash-backed reserves" (as identified by the Welsh Government) of £5.9million (2019: £3.4million) that are available for use by the College. Cash-backed reserves differ from total reserves insofar as they exclude non-cash items (such as revaluation of fixed assets and pension liabilities) and reserves previously used for historic capital development projects. The College's total cash-backed reserves of £5.9million comprise a restricted reserve of £1.5million (2019: £1.5million), and £4.4million (2019: £1.9million) set aside to provide a financial reserve.

Financial results

In the context of a challenging year, the College is pleased to report an increase in both group turnover and EBITDA compared to the prior year – turnover for the year was £97.6million (2019: £93.2million) and EBITDA was £11.1million (2019: £6.5million).

To properly understand the financial results for the year there are three key elements to note:

Business as usual, prior to "lockdown"

The change to the funding methodology referred to above resulted in the College for the first time for many years being "fully funded" for our full-time learner numbers, whereas in past years we have had to subsidise our decision "not to turn any learner away". This, combined with the increase in funding allocation for part-time learners and successful bids for additional apprenticeship funding by the College, ACT and ALS meant that, prior to lockdown, we were on or ahead of budget.

Welsh Government support during lockdown

The WG made an early decision to support the sector and to continue to fund colleges and apprenticeship providers to wherever possible continue to deliver learning remotely during lockdown. Whilst new term 3 enrolments and apprentice starts were reduced because of the lockdown, the continuity of funding ensured the College did not need to consider redundancies and was able to maintain payments to suppliers. However, because of the uncertainty, vacancies were held wherever possible and non-pay expenditure significantly reduced to offset the additional costs of continuing to deliver teaching and learning and operate the College "on-line".

Commercial and non-government funded income streams

As referred to above, the College has invested significantly in diversifying its income streams to provide resilience and reduce reliance on Government funding, these include our retail, catering, nursery, facilities hire and events, commercial courses and international activities. Again, as with our core business, all of these were operating at or ahead of budget before lockdown. However, on lockdown many of these activities stopped immediately as campuses were closed or substantially reduced where it was only possible to provide online services. Whilst we were able to utilise the UK Government's CJRS funding to avoid redundancies and claimed some £717k, the nature of the scheme meant that we had to fund some £254k to "top up" staff salaries to their normal pay levels whilst receiving no income between April and July.

Subsidiary companies ACT and ALS continued to perform well although both experienced similar challenges during the year. In particular ACT, where funding for one significant grant was stopped during lockdown and the company had to utilise the CJRS scheme to support the salaries of staff. These companies make gift aid payments to the College rather than the previous dividend payments to private shareholders, ensuring those funds can be invested in the Group's education and training activities.

Impact on the group's results of pension costs

The Group's results are significantly affected by the volatility arising from the accounting requirements for post-employment benefits set out in FRS 102. This accounting standard requires the College to account for the cost of its commitment to the Local Government Pension Scheme (LGPS) in respect of its business support staff. Accordingly, the charges to the income and expenditure account and the liabilities shown on the balance sheet are impacted by changes in actuarial assumptions and market movements in respect of the assets held by the pension scheme – both of which are outside the control of the College.

Due mainly to the exceptional circumstances linked to the Covid-19 pandemic, the 2019/20 accounting valuation shows a significant increase in the College's pension deficit, which has grown to £41.9million at 31 July 2020 compared to £20.4million at 31 July 2019. This is due mainly to reduced yields on corporate bonds (upon which the discount rate is determined) and volatile investment returns linked to the pandemic.

The increased deficit is consistent with the experiences of many other participants in the LGPS. The College's lender is aware of this and has removed the net asset covenant test from the College's loan facility agreements as the impact of the pandemic on the size of the pension deficit renders that covenant meaningless. The Welsh Government has also indicated that the situation will be taken into account in their financial health assessment of the FE sector.

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

Accordingly, notwithstanding that the accounting treatment has resulted in the balance sheet showing net liabilities, the Governors are content this has no impact on the College's financial strength and does not give rise to any "going concern" issues.

Treasury management

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a treasury management policy set out in its financial regulations. Regular reports are made to the Finance and Estate committee, and all borrowing requires the approval of the Governing Body.

The College's financial strategy provides a framework for the ongoing management of the College's ability to meet the repayments over the term of the loans and the interest rates on these loans have been fixed.

The College's loan agreements with Santander sets out a number of financial covenants including debt service and interest cost ratios to EBITDA and net assets levels, which are reported to and monitored by the Finance, Estates, Commercial and HR sub-committee of the Governing Body. As described above, Santander has waived the net asset covenant due to the volatility relating to the LGPS; all remaining covenant tests have been met with significant headroom.

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Cash flows and liquidity

The Group's cash balance at 31 July 2020 was £9.3million (2019: £2.9million). The increase compared to the prior year was mainly due to increased cash generation from operating activities, but also included a number of short-term favourable timing differences which will unwind in the forthcoming year. In addition, income received from Welsh Government in respect of apprenticeship contracts was paid in line with contract profile during the year, whereas in prior years some of this funding would have been paid based on claims after the year end.

During the year, the College paid £2.7million of contingent consideration in relation to the acquisition of ACT and ALS, based on performance targets set at the time of acquisition. These additional payments were fully funded from profits generated by ACT and ALS.

The reported net current assets of £0.3million (2019: net current liabilities of £3.4million) includes a number of accounting liabilities which are not expected to be settled in the forthcoming year, and also include contingent consideration, which will be settled in line with available cash flows generated by ACT and ALS and paid to the College as gift aid.

Capital developments

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

- In collaboration with Cardiff Council, the College:
 - progressed discussions in respect of heads of terms for the proposed development and relocation of the new Fitzalan High School to the CISC Leckwith site. The changes will result in some improvements to facilities compared to existing arrangements;
 - Agreed heads of terms for a 35 year lease extension for Cardiff Construction Training Centre (CCTC).
- The College continued to progress plans to replace the ageing accommodation in the Vale of Glamorgan as part of the Welsh Government's 21st Century Schools and Colleges Band B Mutual Investment Model (MIM) programme. We are working with the Welsh Government and partners to deliver two new campuses – a general further education campus at Barry Waterfront Southern IQ site, and an advanced technology centre on a site close to the current ICAT site and Cardiff Airport. During the year the project continued to gather pace: the Welsh Government appointed Merdiam as the MIM strategic partner and the College continued to move forward with the required business cases and administrative aspects of the MIM scheme. During the year the Governing Body established a steering group to ensure the correct governance, support and oversight of the College's commitment to the MIM funding model and the continued strategic development of the two campuses.
- The £1.9m Canal Park project to develop and procure a 3G playing surface, two Multi-use Games Areas (MUGA) and associated work on the grassed area behind the city centre campus (part of the Welsh Government's £15m Community Hub funding scheme) had been expected to complete in 2020 but was delayed due to Covid-19 and other factors requiring some changes to the project specification – notably a relocation of the MUGAs and the Air Dome which will now be sited in the City Centre campus; work in this respect commenced in September 2020.

Other future developments

Alongside the ambitious capital developments described above, the College is working on a range of priorities both internally and externally that will shape the future direction of the College, its range of services for learners, employers and communities and its relationships with partners and stakeholders including:

- building on the acquisition of ACT and ALS, the further development of a comprehensive work-based learning offering, enhancing the opportunities offered to learners, employers and communities.
- the expansion of our business development activities to meet the needs of employers and, where appropriate, utilise our expertise in conjunction with appropriate partners to provide commercial services overseas or attract international learners and businesses to the capital region;
- continued focus on the wellbeing of staff and students, including the launch of the College's new wellbeing strategy;
- further integration of technology into the College's teaching, learning and other activities, in the context of 'Digital 2030', the Welsh Government's strategic framework for post-16 digital learning in Wales;
- continued focus on learner outcomes and the core priorities of Quality, Efficiency and Growth.

Payment performance

Creditor payment days, based on creditors at 31 July 2020, was 33 days (2019 – 30 days). During the current financial year, no interest charges were paid under The Late Payment of Commercial Debts (Interest) Act.

Welsh language and Welsh medium/bilingual provision

Cardiff and Vale College/ Coleg Caerdydd a'r Fro is proud to be Welsh. It believes that everyone has the right to communicate, receive services and learn through the medium of Welsh and is committed to providing that opportunity for its learners, employees and visitors. CAVC has a positive and robust approach to meeting its Welsh Language Standards requirements to ensure a positive bilingual service for all learners and the ability for all stakeholders to interact with the College in the language of their choice.

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

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

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

REPORT OF THE GOVERNING BODY

Equality and Diversity

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

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

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

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

Access

A great deal of work has been undertaken across the College to ensure it is accessible for those with disabilities and impairments to meet the College's duty under the Equality Act as far as reasonably practical. This has included the provision of tactile surfaces, visual panels, alterations to toilet cubicle doors, Disability Discrimination Act compliant signage, accessible toilet alarms, increasing the number of hoists, networked fire door retainers, refuge intercom, nosings added to internal steps/stairs and lifts.

The improvements are those that have been considered to be classed as "reasonable adjustments" with the intention of ensuring that all parts of the College are accessible as far as reasonably practical. However, where this has not been possible, issues have been identified and managed by adjusting College activities to ensure that this does not impact on any student, staff member or visitor.

The College has worked to prepare for the ALN Act ensuring all learners are able to access the learning itself. The College has implemented training to support universal provision and Person-Centred Practice, as well as making significant investment in assistive technology.

As part of its agreement to the Transgender Charter, the College has also undertaken an accessibility audit of all sites, making changes where necessary to improve access for transgender people within its community.

Employment of people with disabilities

The College considers all applications from people with disabilities, bearing in mind the aptitudes of the individuals concerned and has committed to the "Disability Confident" core actions to support its approach to the recruitment of staff. Where existing employees become disabled, every effort is made to ensure that employment with the College is continued. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. An annual equalities plan is monitored by managers and governors.

Sustainability

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

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

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

Governance

The College's current Articles, Instruments, Governing Body and sub-committee structure were introduced in 2015 following a comprehensive review of its Governance arrangements in light of the publication of the Further and Higher Education (Governance and Information) (Wales) Act 2014.

This review incorporated the new legislation, consideration of models of best practice in the sector, the previous recommendations of the Humphreys review of Governance and the needs of the College going forward.

Staff pay and remuneration

The Governing Body recognises that the success of the College is based on the hard work and contribution of its staff and that it is essential that they are rewarded fairly and reasonably, within the confines of relevant national agreements and legislation and subject to affordability.

The Governing Body also recognises the importance of transparency and equality in decisions regarding pay and remuneration and complies with requirements to publish information on such matters which are included either in these financial statements or in separate reports available on the College website.

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

- As part of the National Agreements in place between Colleges Wales as the employer representative and the Joint Trade Unions all staff directly employed by the College are:
 - employed on “common contracts” agreed with the Joint Trade Unions under which staff are entitled to pension and holiday arrangements that represent a substantial part of their “total remuneration”;
 - paid, as a minimum, in line with Living Wage Foundation guidelines;
 - receive annual pay awards arising from national Welsh FE sector negotiations with the Joint Trade Unions; and
 - in respect of teaching staff, are paid on a common pay scale with nationally agreed procedures for incremental increases up that pay scale.
- In respect of business support staff, in the absence of a national pay scale or grading system, the College some years ago implemented in consultation and agreement with local trade union representatives a job evaluation process.
- Any new roles that are established that fit outside of the business support job evaluation process are assessed by reference to current local pay rates (taking into consideration the value of the pension and holiday entitlement) and where appropriate relevant salary benchmarking services.
- The Governing Body has established a Remuneration Committee to consider the remuneration of senior post holders including the Clerk to the Governing Body. The membership of this Committee is set out on page 18 and includes an independent, external non-Governor. In respect of the operation of this committee:
 - There are currently only four designated senior post holders (including the Clerk to the Governing Body);
 - In addition to the independent external member, the Committee receives advice from the College’s HR function;
 - The Committee’s decisions are informed by appropriate independent salary benchmarking services; and
 - None of the senior post holders (including the Clerk to the Governing Body) are involved in the discussions of their remuneration.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

REPORT OF THE GOVERNING BODY

Members of Cardiff and Vale College Further Education Corporation

The members who, unless otherwise stated, served the Cardiff and Vale College Further Education Corporation for the period from 1 August 2019 to the date of signing of the financial statements were as follows:

Member	Appointment status	Date of appointment (A) / resignation (R)	Committees served
Mr G Evans Chair of Corporation	Governor		Chair of - R, S&G, FECHR, V
Mr B Haines Vice Chair of Corporation	Governor		R, S&G, FECHR, V
Dr M Davies	Governor		A (Chair)
Ms R Davies	Business Support Staff Governor		FECHR, CQSA, CB
Dr F Cowe	Governor		CQSA
Cllr B Gray	Local Authority Governor - Vale		CQSA
Mr M James	Group Chief Executive		FECHR, CQSA
Cllr S Merry	Local Authority Governor - Cardiff		CQSA
Mr D Austin	Governor		A to Sept 20, FECHR from Sept 20, V
Mr D James	Governor		FECHR, V
Ms M Floris	Student Governor	A – Sept 20	CQSA
Ms S Khan	Student Governor	A – Sept 20	CQSA
Ms S Gape	Student Governor	A - Oct 19 R – May 20	CQSA
Mr I Morris	Governor		FECHR
Mr D Reeves	Governor		FECHR, R, S&G
Mr K Robinson	Academic Staff Governor	R – Sep 19	FECHR, CQSA
Ms N Hodgkinson	Academic Staff Governor	A – Oct 19	FECHR, CQSA
Prof D Saunders	Governor		CQSA (Chair), R, S&G
Mr R Thomas	Governor		FECHR, V
Ms S Rizea	Student Governor	R – Aug 20	CQSA
Mr A Abdi	Governor	A- Jan 20	CQSA
Mrs S Nawaz	Governor	A- Jan 20	CQSA
Mrs M Foster	Governor	A- Jun 20	FECHR, V
Mr J Taylor	Governor	A- Jun 20	FECHR to Sept 20, A from Sep 20

During the period from 1 August 2019 to the date of signing of the financial statements the Governing Body had the following sub-committees:

- o Finance, Estates, Commercial and HR (FECHR)
- o Remuneration (R)
- o Search and Governance (S&G)
- o Curriculum, Quality and Student Affairs (CQSA)
- o Audit (A)
- o Community Board (CB) (disbanded May 2020)
- o ACT Strategy Board (SB) (disbanded May 2020)
- o The Vale Campus Steering Group (V) (established August 2020)

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

REPORT OF THE GOVERNING BODY

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

In addition to the Governors listed above, Professor A Chapman served as an independent member of the Remuneration Committee until his resignation in October 2019. Professor Chapman was replaced by Mr Phil Jardine in March 2020.

In addition to the full members of the Governing Body set out above, the following individuals were co-opted members of Governing Body sub-committees:

	Committee Membership		
	FEC&HR	CQSA	Audit
Ms D Merrick			√
Mr B Davies		√	√
Ms L Farrow			√
Ms V Compton			√
Ms R Huws Williams (A – May 2020)		√	√
Ms L Hawkins (A – November 2019)		√	
Miss K Patel (A – March 2020)	√		
Mrs H Ferguson (Transferred from CB and ACT SB May 2020)		√	
Mr J Harper (Transferred from CB May 2020)		√	
Miss C Mundell ACT Student Rep A – Feb 2020		√	

The following individuals served as Community Governors on the Community Board and ACT Strategy Board in the period from 1 August 2019 to the date when the boards were disbanded.

Community Board Governor	Date of appointment (A) / resignation (R)
Mr A Abdi	
Mr M Alamgir	
Mrs A Ali	
Ms C Burton	
Mrs H Ferguson	
Mr J Harper	
Miss R Hussein	
Mr L Kahn	
Mrs A Mohammed	
Mrs S Nawaz	

The Community Board was disbanded in May 2020

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

REPORT OF THE GOVERNING BODY

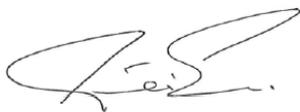
Members of Cardiff and Vale College Further Education Corporation (continued)

ACT Strategy Board (not including Main Board Governors)	Date of appointment (A)/ resignation (R)
Mr J Baker	
Mrs H Ferguson	
Mrs M Foster	
Mr S Murphy	
Mr J Taylor	
Miss R Huws Williams	
Ms L Hawkins	A – November 2019

The ACT Strategy Board was disbanded in May 2020

Disclosure of information to auditors

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



Mr G D Evans
Chair of Governing Body



Mr M James
Group Chief Executive

8 December 2020

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

STATEMENT OF THE GOVERNING BODY'S RESPONSIBILITIES

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

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

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

- ensured that suitable accounting policies were selected and applied consistently;
- ensured that judgements and estimates were made that are reasonable and prudent;
- ensured that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assessed that the College remains a going concern, taking into consideration its activities, the factors likely to affect its future development and performance, its financial position, cash flow, liquidity and borrowings;
- ensured that the financial statements are prepared on the going concern basis unless it is inappropriate to presume the College will continue in operation; based on the assessment described above, the going concern basis continues to be adopted in the preparation of the financial statements.

The Governing Body has taken reasonable steps to:

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

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

STATEMENT OF THE GOVERNING BODY'S RESPONSIBILITIES

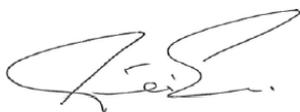
The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks, and termly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governing Body;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance, Estates, Commercial & HR Committee; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Governing Body and whose head provides the Governing Body with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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

Information held on the College's website

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



Mr G D Evans
Chair of the Governing Body

8 December 2020

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

CORPORATE GOVERNANCE

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

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

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

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

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

In the opinion of the Governors, Cardiff and Vale College complied with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2020.

The Corporation

The composition of the Cardiff and Vale College Further Education Corporation during the year ended 31 July 2020 is set out on pages 18 to 20. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation was provided with regular and timely information on the overall financial performance of the Institution together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation met each term.

The Corporation conducted its business through a number of committees. Each committee had terms of reference, which had been approved by the Corporation. These committees were as follows:

- Finance, Estates, Commercial and HR
- Curriculum, Quality and Student Affairs
- Remuneration
- Search and Governance
- Audit
- Vale Campus Steering Group (established August 2020)

All governors were able to take independent professional advice in the furtherance of their duties at the Institution's expense and had access to the Clerk of the Corporation, who was responsible to the Board for ensuring that all applicable procedures and regulations were complied with. The appointment, evaluation and removal of the Clerk were matters for the Corporation as a whole.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

CORPORATE GOVERNANCE (continued)

The Corporation (continued)

Formal agendas, papers and reports were supplied to Governors in a timely manner, prior to Board meetings. Briefings were also provided on an ad-hoc basis.

The Corporation had a strong and independent non-executive element and no individual or group dominated its decision making process. The Corporation considered that each of its non-executive members was independent of management and free from any business or other relationship, which could have materially interfered with the exercise of their independent judgement.

There was a clear division of responsibility in that the roles of the Chair and Group Chief Executive were separate.

Remuneration Committee

Throughout the year ended 31 July 2020, the Institution's remuneration committee comprised the members who are identified on page 18. The Committee's responsibilities were to make recommendations to the Board on the remuneration and benefits of the Group Chief Executive and other senior post-holders.

Details of senior post-holders' remuneration for the year ended 31 July 2020 are set out in note 8 to the financial statements.

Appointments to the Corporation

Any new appointments to the Corporation were a matter of consideration of the Corporation as a whole. The Corporation has a search and governance committee which is comprised of the members who are identified on page 18 and were responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation was responsible for ensuring that appropriate training was provided as required.

Members of the Corporation are appointed for a term of office not exceeding three years and were given options to continue for a second term in July 2019.

Audit Committee

The Audit Committee comprised two members of the Corporation and at least three co-opted members as identified on pages 18 to 20. The committee operated in accordance with written terms of reference approved by the Corporation.

The Audit Committee met on at least a termly basis and provided a forum for reporting by the Institution's internal and external auditors, who had access to the committee for independent discussion, without the presence of Institution management.

The Institution's internal auditors monitored the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management was responsible for the implementation of agreed audit recommendations and internal audit undertook periodic follow up reviews to ensure such recommendations had been implemented. The Audit Committee also advised the Corporation on the appointment of internal and external auditors and their remuneration for both audit and non-audit work.

INTERNAL CONTROL

Scope of responsibility

The Corporation was ultimately responsible for the Institution's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Group Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Institution's policies, aims and objectives, whilst safeguarding the public funds and assets for which the Group Chief Executive is personally responsible, in accordance with the responsibilities assigned to the Group Chief Executive in the Financial Memorandum between Cardiff and Vale College and the Welsh Government. The Group Chief Executive was also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risks of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Institution policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Cardiff and Vale College for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation through the work of the Audit Committee has reviewed the process for identifying and monitoring the key risks to which the Institution was exposed together with the operating, financial and compliance controls that have been instigated to mitigate those risks. The Corporation is of the view that there was a formal ongoing process for identifying, evaluating and managing the Institution's significant risks that had been in place for the year ended 31 July 2020.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation;
- regular reviews by the Corporation of periodic and annual financial reports, which indicate the financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

INTERNAL CONTROL (continued)

The risk and control framework (continued)

Cardiff and Vale College employed Deloitte to provide internal audit services and they operate in accordance with the requirements of the Welsh Government. The work of the internal audit service was informed by an analysis of the risks to which the Institution was exposed, and annual internal audit plans were based on this analysis. The analysis of risks and the internal audit plans were endorsed by the Corporation on the recommendation of the Audit Committee. Annually, the Internal Auditors provide the Corporation with a report on internal audit activity in the Institution. The report included the Internal Auditors' independent opinion on the adequacy and effectiveness of the Institution's system of risk management, controls and governance processes.

The annual report of the Internal Auditors provided "substantial assurance" in respect of Corporate Governance, and "substantial assurance" in respect of Risk Management and Internal Control.

Review of effectiveness

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

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

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

The executive team receives reports setting out key performances and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The executive team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area was confined to a high level review of the arrangements for internal control. The Corporation's agenda included consideration of risk and control and received reports thereon from the executive team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance not merely reporting by exception.

At its meeting on 8 December 2020, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering the Audit Committee's annual report, the internal audit annual report, the external audit report to management and supporting documentation from officers.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

Statement from the Audit Committee

The Audit Committee has considered the reports presented to it by the internal and external auditors during the year and up to the date of the approval of the financial statements, along with the findings of other work undertaken by the Committee as set out in its annual report. Based on this information, the Audit Committee is satisfied that the Governing Body, in discharging its responsibilities, may rely on the College's risk management, internal control and governance processes.

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

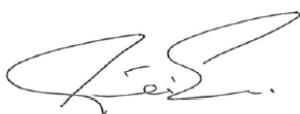
The Corporation has considered its responsibility to notify the Welsh Government of material irregularity, impropriety and non-compliance with Welsh Government terms and conditions of funding, under the funding agreement in place between the Institution and the Welsh Government. As part of its consideration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

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

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

Going Concern

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



Mr G D Evans
Chair of the Governing Body



Mr M James
Group Chief Executive

8 December 2020

Independent auditors' report to the Governing Body of Cardiff and Vale College (the "institution")

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and the parent institution's affairs as at 31 July 2020, and of the group's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been properly prepared in accordance with the Accounts Direction issued by the Welsh Government.

We have audited the financial statements, included within the Consolidated Annual Report and Financial Statements (the "Annual Report"), which comprise the Consolidated and College Balance Sheets as at 31 July 2020; the Consolidated and College Statement of Comprehensive Income for the year then ended; the Consolidated and College Statement of Changes in Reserves for the year then ended; the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

- the Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

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

Reporting on other information

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Governing Body for the financial statements

As explained more fully in the Statement of the Governing Body's responsibilities set out on pages 21-22, the Governing body is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Governing body is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

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

In our opinion, in all material respects:

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



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
8 December 2020

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 July 2020		Year ended 31 July 2019 As restated (note 25)	
	Note	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Income					
Welsh Government grants	2	84,421	48,267	78,399	42,263
Tuition fees and education contracts	3	5,862	4,063	6,153	4,614
Other income	4	7,281	4,950	8,667	6,465
Investment income	5	7	7	14	14
Gift aid income from subsidiaries	6	-	6,443	-	3,948
Total income		97,571	63,730	93,233	57,304
Expenditure					
Staff costs	7	47,764	35,217	45,912	32,756
Other operating expenses	9	39,859	18,047	41,769	19,451
Depreciation	12	3,458	3,200	3,532	3,302
Amortisation	11	2,631	165	1,726	28
Interest and other finance costs	10	2,253	2,248	2,295	2,287
Total expenditure		95,965	58,877	95,234	57,824
Surplus/(deficit) before other gains and losses		1,606	4,853	(2,001)	(520)
Loss on disposal of fixed assets		-	-	(49)	(49)
Surplus/(deficit) before tax		1,606	4,853	(2,050)	(569)
Taxation	21	11	-	-	-
Surplus/(deficit) for the year		1,617	4,853	(2,050)	(569)
Actuarial loss in respect of pension schemes	20	(19,020)	(19,020)	(4,300)	(4,300)
Total comprehensive expense for the year		(17,403)	(14,167)	(6,350)	(4,869)

All items of income and expenditure relate to unrestricted income. The notes on pages 35 to 67 form part of these financial statements.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES

	Income and expenditure reserve		Revaluation reserve	Total reserves
	Restricted (note 26)	Unrestricted		
<u>Group</u>	£'000	£'000	£'000	£'000
At 1 August 2019	1,525	416	9,764	11,705
Surplus for the year	-	1,617	-	1,617
Other comprehensive expenditure	-	(19,020)	-	(19,020)
Total comprehensive expenditure for the year	-	(17,403)	-	(17,403)
Transfers between income and expenditure and revaluation reserve	-	134	(134)	-
At 31 July 2020	1,525	(16,853)	9,630	(5,698)
College				
At 1 August 2019 as previously reported	1,525	5,009	9,764	16,298
Restatement (note 25)	-	(3,093)	-	(3,093)
At 1 August 2019 as restated	1,525	1,916	9,764	13,205
Surplus for the year	-	4,853	-	4,853
Other comprehensive expenditure	-	(19,020)	-	(19,020)
Total comprehensive expenditure for the year	-	(14,167)	-	(14,167)
Transfers between income and expenditure and revaluation reserve	-	134	(134)	-
At 31 July 2020	1,525	(12,117)	9,630	(962)

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

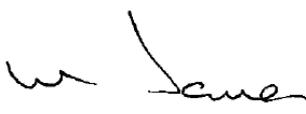
CONSOLIDATED AND COLLEGE BALANCE SHEETS

	Note	As at 31 July 2020		As at 31 July 2019	
		Consolidated £'000	College £'000	Consolidated £'000	As restated (note 25) College £'000
Fixed assets					
Intangible assets and goodwill	11	11,244	646	11,669	811
Tangible assets	12	80,586	79,350	81,257	79,945
Investments	13	-	19,098	-	16,857
		-----	-----	-----	-----
		91,830	99,094	92,926	97,613
		-----	-----	-----	-----
Current assets					
Stock		6	-	53	11
Trade and other receivables	14	8,228	3,580	10,063	4,209
Cash and cash equivalents		9,318	8,584	2,913	2,272
		-----	-----	-----	-----
		17,552	12,164	13,029	6,492
Creditors - amounts falling due within one year	15	(17,211)	(14,413)	(16,421)	(13,737)
		-----	-----	-----	-----
Net current assets/ (liabilities)		341	(2,249)	(3,392)	(7,245)
		-----	-----	-----	-----
Total assets less current liabilities		92,171	96,845	89,534	90,368
Creditors - amounts falling due after more than one year	16	(55,338)	(55,338)	(56,174)	(56,174)
Provisions					
Pension provisions	20	(41,920)	(41,920)	(20,390)	(20,390)
Other provisions	21	(611)	(549)	(1,265)	(599)
		-----	-----	-----	-----
Total net (liabilities)/ assets		(5,698)	(962)	11,705	13,205
		-----	-----	-----	-----
Restricted reserves					
Income and expenditure reserve – restricted	26	1,525	1,525	1,525	1,525
Unrestricted reserves					
Income and expenditure reserve - unrestricted		(16,853)	(12,117)	416	1,916
Revaluation reserve		9,630	9,630	9,764	9,764
		-----	-----	-----	-----
Total reserves		(5,698)	(962)	11,705	13,205
		-----	-----	-----	-----

The financial statements were approved by the members of the Cardiff and Vale Further Education Corporation on 8 December 2020 and signed on its behalf by:



Mr G D Evans
Chair of the Governing Body



Mr M James
Group Chief Executive



Mr M C Roberts
Group Chief Operating Officer

The notes on pages 35 to 67 form part of these financial statements.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Cash flow from operating activities		
Surplus/(Deficit) for the year	1,617	(2,050)
<u>Adjustment for non-cash items</u>		
Depreciation and amortisation	6,089	5,258
Amortisation of capital grants	(873)	(822)
Deferred tax credit	(11)	-
Decrease/(Increase) in stock	47	(3)
Decrease in debtors	1,836	1,631
Decrease in provisions	(644)	(289)
Increase/(Decrease) in creditors	795	(638)
Pension costs less contributions payable	2,080	1,750
<u>Adjustment for investing or financing activities</u>		
Pension finance cost	430	370
Investment income	(7)	(14)
Interest payable	1,768	1,807
Loss on disposal of fixed assets	-	49
	-----	-----
Net cash inflow from operating activities	13,127	7,049
	-----	-----
Cash flows from investing activities		
Investment income	7	14
Payments made to acquire fixed assets	(2,223)	(16,974)
Acquisition of subsidiary undertakings (see note 13)	(2,206)	(2,412)
Capital grants received	2,030	652
	-----	-----
	(2,392)	(18,720)
	-----	-----
Cash flows from financing activities		
Interest paid	(1,747)	(1,785)
Interest element of finance lease rental payment	(21)	(22)
New loans secured	-	12,780
Repayments of amounts borrowed	(2,230)	(2,044)
Capital element of finance lease rental payment	(332)	(459)
	-----	-----
	(4,330)	8,470
	-----	-----
Increase/(Decrease) in cash and cash equivalents in the year	6,405	(3,201)
	-----	-----
Cash and cash equivalents at beginning of the year	2,913	6,114
Cash and cash equivalents at end of the year	9,318	2,913

The notes on pages 35 to 67 form part of these financial statements.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

Period of account

These financial statements have been prepared for the year from 1 August 2019 to 31 July 2020

Basis of preparation

These financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, with the 2018 Statement of Recommended Practice – Accounting for Further and Higher Education (“the SORP”), with the Accounts Direction 2019/20 issued by the Welsh Government and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has applied the public benefit entity provisions of FRS 102. A summary of the more important accounting policies which have been consistently applied, unless stated otherwise, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Going concern

The activities of the College together with the factors likely to affect its future development and performance are set out in the report of the Governing Body. The financial position of the College, its cash flow, liquidity and borrowings are described in the financial statements.

The surplus for the year ended 31 July 2020 of £1,617,000 (2019: deficit of £2,050,000) included a £2,080,000 non-cash charge relating to the defined benefit scheme (see note 20), and £2,466,000 of goodwill amortisation in relation to the investment in ACT and ALS (see note 11), as well as a number of other non-recurring costs. The College’s forecasts and financial projections (including cash flows) indicate it has sufficient resources to be able to operate for the foreseeable future.

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries ICAT Limited, CF10 Retail Limited, Associated Community Training Limited, Apprenticeship Learning Solutions Limited, ACT (Holdings) Limited, and South East Wales City Region ATA Limited. The results of any subsidiaries acquired or disposed of during the year are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. The activities of the student union have not been consolidated because the College does not control these activities.

Stocks

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

Cash and cash equivalents

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

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Recognition of income

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

Government capital grants are held as deferred income and recognised over the expected economic life of the asset purchased in accordance with the "accrual method" permitted by FRS 102. In accordance with the requirements of the 2018 FE HE SORP any grants used for the purchase of land or received from a non-Government sources are recognised in income when the College is entitled to the funds and any performance related conditions have been met.

Post-employment benefits

Defined benefit scheme

The College's employees belong to two principal pension schemes, the Cardiff and Vale of Glamorgan Pension Fund (C&VPPF) a scheme operating under the Local Government Pension Scheme (LGPS) (administration and support staff) and the Teachers' Pension Scheme (TPS) (academic staff). Both these schemes are defined benefit schemes.

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

The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Post-employment benefits (continued)

Defined contribution schemes

The Group operates three defined contribution schemes for employees of subsidiary companies. Contributions payable to the Group's defined contribution pension schemes are charged to profit or loss in the period to which they relate.

Short term employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the methodology directed by the Welsh Government.

Non-current assets - tangible fixed assets

Freehold land

As permitted under FRS 102 first-time adoption rules, certain of the College's freehold land assets were revalued as at 1 August 2014 and are stated in the balance sheet at deemed cost following that revaluation. All other freehold land assets are included in the balance sheet at cost. Freehold land is not depreciated.

Buildings

The College's buildings are specialised and, therefore, it is not appropriate to value them on the basis of open market value. Buildings inherited from the Local Education Authority are stated in the balance sheet on the basis of depreciated replacement cost at the date of transfer to the legacy colleges on incorporation on 1 April 1993.

Buildings acquired since incorporation of the legacy colleges are included in the balance sheet at cost, less accumulated depreciation.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Non-current assets - tangible fixed assets (continued)

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

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

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

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

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

Equipment

Equipment costing less than £1,000 per individual item is charged to the income and expenditure account in the period of acquisition. In addition, groups of items that individually cost less than £1,000, but collectively are in excess of that limit and are considered, as a group, to represent an asset that is used over a number of years, are capitalised. All other equipment is capitalised at cost less any provision for impairment. Capitalised assets and groups of assets are depreciated on a straight line basis over their useful economic life as follows:

Teaching equipment	10%/20% or 25% per annum
Motor vehicles and general equipment	25% per annum
IT equipment	25% per annum
Fixtures and fittings	10% per annum

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Capital grants received from Government

Where buildings or equipment are acquired with the aid of specific grants from Government agencies they are capitalised and depreciated in accordance with the policy as above. The related grants are held within creditors and are released to comprehensive income over the useful economic life of the related asset on a basis consistent with the depreciation policy. Where such grants are provided to facilitate the purchase of land they are taken to the Statement of Comprehensive Income, in full, immediately any performance conditions are met.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing arrangements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset has been purchased outright. The fair value of the assets is included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. Assets which are held under hire purchase contracts, which have the characteristics of finance leases, are treated in the same way and depreciated over their useful lives.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful life as follows:

	Years
Contractual customer relationships	10
ACT brand	10
Goodwill	10
Systems development (see note 11)	5

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

Financial assets

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred. Borrowing costs incurred during, and directly attributable to, the acquisition, construction or production of a qualifying asset are capitalised.

Reserves

Reserves are classified as restricted or unrestricted. Restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management has made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and, where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty are as follows:

Tangible fixed assets

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

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

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

Impairment of debtors

The College makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of the debtors, historical experience and the financial circumstances of the counterparty. See note 14 for the net carrying amount of debtors.

Fair value of intangible assets acquired

The fair value of tangible and intangible assets acquired on the acquisition of ACT (Holdings) Limited (see note 13 for further details) involved the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. In addition, the estimation of the contingent consideration payable required estimation of the level of profitability of the business acquired. The use of discount rates and determination of the useful life of the intangible asset also requires judgement.

Fair value of Eastern Community Campus

The Eastern Community Campus has been included in the financial statements at fair value, which has been calculated by reference to the estimated construction cost of the building that was declared at the outset of the project, multiplied by the College's percentage ownership of the campus.

Fair value of other provisions

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

Taxation

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

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

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

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Provisions

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

Agency costs

The College acts as an agent in the collection and repayment of financial contingency funds, the Young Recruits Programme and the Apprenticeship Employer Incentive Programme. Related payments received from the Welsh Government and subsequent disbursements to students are excluded from the income and expenditure account and shown separately in note 24.

2 WELSH GOVERNMENT GRANTS

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Recurrent grant	33,091	33,091	28,995	28,995
Work-based learning grant	42,033	7,731	40,723	7,145
Other Welsh Government grants	8,432	6,580	7,859	5,301
Amortisation of capital grant	865	865	822	822
	-----	-----	-----	-----
	84,421	48,267	78,399	42,263
	-----	-----	-----	-----

3 TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
<u>Tuition fees and charges</u>				
UK and EU – Further Education	419	419	359	359
UK and EU – Higher Education	2,035	2,035	1,944	1,944
Non EU – Further Education	426	426	913	913
	-----	-----	-----	-----
	2,880	2,880	3,216	3,216
	-----	-----	-----	-----
<u>Education contracts</u>				
14-19 learning pathways	1,946	147	1,676	137
Other education contracts – UK and EU	1,036	1,036	1,261	1,261
	-----	-----	-----	-----
	2,982	1,183	2,937	1,398
	-----	-----	-----	-----
	5,862	4,063	6,153	4,614
	-----	-----	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

4 OTHER INCOME

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Residencies, catering and conferences	433	-	527	-
Other income-generating activities	3,471	2,101	5,749	4,398
Other grant income	1,423	1,423	870	870
Other income	1,954	1,426	1,521	1,197
	-----	-----	-----	-----
	7,281	4,950	8,667	6,465
	-----	-----	-----	-----

Coronavirus Job Retention Scheme (CJRS) grant funding of £717,000 was claimed during the year in respect of eligible furloughed employees. In accordance with Welsh Government stipulations, CJRS funding was not claimed for any employees whose posts are substantively funded by Welsh Government funding that continued to be received during the period.

5 INVESTMENT INCOME

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Other interest received	7	7	14	14
	-----	-----	-----	-----

6 GIFT AID INCOME FROM SUBSIDIARIES

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	As restated (Note 25) £'000
From Associated Community Training Limited	-	5,232	-	3,194
From Apprenticeship Learning Solutions Limited	-	1,211	-	754
	-----	-----	-----	-----
	-	6,443	-	3,948
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CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

7 STAFF COSTS

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Teaching and learning departments	29,176	24,493	27,050	22,218
Teaching and learning support services	2,798	2,195	2,740	2,082
Other support services	1,098	926	1,067	880
Administration and central services	9,213	4,533	8,589	4,157
Premises	1,122	933	1,245	990
Other income-generating activities	4,249	2,029	5,058	2,270
Enhanced pension charge (note 21)	37	37	31	31
Voluntary redundancy costs	71	71	132	128
	-----	-----	-----	-----
	47,764	35,217	45,912	32,756
	-----	-----	-----	-----

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Wages and salaries	36,985	25,802	36,793	25,096
Social security costs	3,248	2,310	3,214	2,187
Pension costs (see note 20)	7,293	6,867	5,729	5,301
Increase in holiday pay accrual	167	167	44	44
Voluntary redundancy costs	71	71	132	128
	-----	-----	-----	-----
	47,764	35,217	45,912	32,756
	-----	-----	-----	-----

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

	2020		2019	
	Consolidated No.	College No.	Consolidated No.	College No.
Teaching and learning departments	693	511	665	478
Teaching and learning support services	68	42	67	41
Other support services	66	57	69	59
Administration and central services	204	61	199	59
Premises	34	24	38	26
Other income-generating activities	143	84	162	43
	-----	-----	-----	-----
	1,208	779	1,200	706
	-----	-----	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

8 KEY MANAGEMENT PERSONNEL AND HIGHER PAID STAFF

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College – during the year this comprised the College Executive Team (including the Group Chief Executive who is also the Accounting Officer) and the Managing Directors of ACT. The Head of Group Corporate Governance and Clerk to the Corporation, as a Senior Post Holder is also included in this category.

The number of key management personnel, including the Accounting Officer, who received emoluments in the following ranges are shown below.

	Key management personnel		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£60,001 to £65,000	-	-	0.8	4.5
£65,001 to £70,000	1.0	1.0	3.0	0.5
£70,001 to £75,000	0.2	-	-	-
£75,001 to £80,000	1.0	1.0	2.0	4.0
£80,001 to £85,000	-	-	1.0	-
£85,001 to £90,000	-	-	1.0	2.0
£90,001 to £95,000	-	1.0	2.0	-
£95,001 to £100,000	2.5	2.0	-	-
£120,001 to £125,000	1.0	-	-	-
£125,001 to £130,000	-	2.0	-	-
£130,001 to £135,000	-	1.0	-	-
£135,001 to £140,000	2.0	-	-	-
£225,001 to £230,000	-	1.0	-	-
£260,001 to £265,000	1.0	-	-	-
	-----	-----	-----	-----
	8.7	9.0	9.8	11.0
	-----	-----	-----	-----

Emoluments include remuneration and benefits in kind but exclude compensation for loss of office and employer pension contributions. Employees who were appointed to or resigned their post part-way through the year are included in the appropriate band based on remuneration that would have been received had they been in post for the full year.

CARDIFF AND VALE COLLEGE**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020****NOTES TO THE FINANCIAL STATEMENTS**

8 KEY MANAGEMENT PERSONNEL AND HIGHER PAID STAFF (continued)

Key Management Personnel emoluments are made up as follows:

	2020	2019
	£'000	£'000
Salaries	1,065	1,011
Payments in lieu of pension contributions	45	29
Benefits in kind	12	10
	-----	-----
	1,122	1,050
Pension costs	143	112
	-----	-----
	1,265	1,161
	-----	-----

The pension costs in respect of Key Management Personnel relate to employer's contributions to the Teachers' or Local Government Pension Schemes, and are paid at the same rate as for other employees.

There were no amounts due to Key Management Personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The total remuneration of the College's Key Management Personnel is commensurate with the College's size, group structure, and the breadth and nature of its activities. Performance of Key Management Personnel is assessed against key performance indicators in conjunction with the relevant HR department and using standard performance management procedures. Remuneration is benchmarked periodically, utilising independent benchmarking services where appropriate, against other education establishments in both Wales and the UK. As outlined on page 16, the remuneration of the College's four senior post holder roles is also considered by the Remuneration Committee, which includes an independent external non-governor member.

Key Management Personnel emoluments include the following amounts paid to the Group Chief Executive, who is also the Accounting Officer and highest paid member of staff:

	2020	2019
	£'000	£'000
Salary	219	199
Payments in lieu of pension contributions	45	29
	-----	-----
	264	228
Pension costs	-	-
	-----	-----
	264	228
	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

8 KEY MANAGEMENT PERSONNEL AND HIGHER PAID STAFF (continued)

The relationship of the Group Chief Executive's remuneration expressed as a multiple of the median remuneration of all other corporation employees (on a full-time equivalent basis) was as follows:

	2020	2019
Group Chief Executive's basic salary as a multiple of the median of all staff	7.2	6.7
Group Chief Executive's total remuneration as a multiple of the median of all staff	7.3	6.6

The Group Chief Executive is a senior post holder and, as such, his remuneration is set by the Governing Body, taking into account the recommendations of the Remuneration Committee. The Group Chief Executive is not involved in determining his remuneration.

The Remuneration Committee agreed its recommendations in respect of the Group Chief Executive's current remuneration at its meeting on 30 January 2020, and these were subsequently considered and approved by the Governing Body on 4 February 2020. The Committee's recommendations took account of the Group Chief Executive's performance in meeting the College's strategic objectives and delivering its priorities of quality, efficiency and growth. A range of performance indicators were considered, including academic and financial performance and external measures including the outcome of recent inspections by Estyn, the education and training inspectorate for Wales. The Committee also considered independent benchmarking information for Wales and elsewhere in the UK, in order to include comparable education institutions similar in size and activity to the College.

Expenses reimbursed to members of the Corporation

Payments of £504 (2019: £1,851) were made to 2 members of the Corporation (2019: 4) other than the Group Chief Executive and other staff governors, for travel and subsistence expenses incurred in the course of their duties.

Compensation for loss of office payable to former Key Management Personnel

During the year one amount of £28,141 was paid to former Key Management Personnel in respect of compensation for loss of office. This payment was based on the same scheme as that available to all staff who received voluntary redundancy payments during the year. During 2019 there were no such payments made to Key Management Personnel.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

8 OTHER OPERATING EXPENSES

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Teaching departments	1,833	1,290	2,366	1,616
<u>Teaching support services</u>				
• Examination fees	1,651	1,173	1,878	1,341
• Learner transport	124	124	120	100
• Other teaching support services	1,416	355	1,466	282
Other support services	66	65	45	45
Catering costs	378	99	533	133
Marketing	506	458	592	514
Administration and central services	3,691	2,019	2,716	1,221
Income generation costs	1,447	648	2,776	2,705
Premises costs	5,220	3,795	5,888	4,032
<u>Subcontracted provision</u>				
• Work-based learning	19,647	5,346	18,719	4,667
• Franchised courses	804	804	576	576
• Other subcontracts	3,076	1,871	4,094	2,219
	-----	-----	-----	-----
	39,859	18,047	41,769	19,451
	-----	-----	-----	-----

Other operating expenses include:

	Consolidated and College	
	2020	2019
	£'000	£'000
Auditors' remuneration		
External auditors		
- Audit of the financial statements	54	46
- Audit of the subsidiary financial statements	47	46
- Other services provided by external auditor	11	13
	-----	-----
	112	105
Internal auditors		
- Internal audit	24	26
- Other services provided by internal auditor	25	13
	-----	-----
	49	39
Operating lease rental		
- Land and buildings	718	639
- Other	136	136

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

10 INTEREST AND OTHER FINANCE COSTS

	2020		2019	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	1,747	1,747	1,785	1,780
Finance leases	21	21	22	19
Pension finance costs (note 20)	430	430	370	370
Enhanced pension provision (note 21)	8	8	8	8
Finance charge on deferred consideration	47	42	110	110
	-----	-----	-----	-----
	2,253	2,248	2,295	2,287
	-----	-----	-----	-----

11 INTANGIBLE ASSETS AND GOODWILL

Consolidated	Contractual customer relationships	ACT brand	Goodwill	Systems development	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 August 2019	8,307	1,600	4,892	839	15,638
Adjustment to value of deferred consideration	-	-	2,206	-	2,206
	-----	-----	-----	-----	-----
At 31 July 2020	8,307	1,600	7,098	839	17,844
	-----	-----	-----	-----	-----
Amortisation and impairment					
At 1 August 2019	2,505	483	953	28	3,969
Amortisation charge	1,052	202	1,212	165	2,631
	-----	-----	-----	-----	-----
At 31 July 2020	3,557	685	2,165	193	6,600
	-----	-----	-----	-----	-----
Net book value					
At 31 July 2020	4,750	915	4,933	646	11,244
At 31 July 2019	5,802	1,117	3,939	811	11,669

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

CARDIFF AND VALE COLLEGE**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020****NOTES TO THE FINANCIAL STATEMENTS**

11 INTANGIBLE ASSETS AND GOODWILL (continued)

College	Systems development £'000	Total £'000
Cost		
At 1 August 2019 and 31 July 2020	839	839
	-----	-----
Amortisation and impairment		
At 1 August 2019	28	28
Amortisation charge	165	165
	-----	-----
At 31 July 2020	193	193
	-----	-----
Net book value		
At 31 July 2020	646	646
At 31 July 2019	811	811

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

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

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

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

12 TANGIBLE ASSETS

Consolidated	Freehold land & buildings £'000	Plant, equipment & vehicles £'000	Computers & IT £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 August 2019	92,317	10,364	4,791	31	107,503
Additions	167	854	1,567	199	2,787
Disposals	-	-	(282)	-	(282)
	-----	-----	-----	-----	-----
At 31 July 2020	92,484	11,218	6,076	230	110,008
	-----	-----	-----	-----	-----
Accumulated depreciation					
At 1 August 2019	15,908	6,479	3,859	-	26,246
Charge for the year	1,830	1,002	626	-	3,458
Disposals	-	-	(282)	-	(282)
	-----	-----	-----	-----	-----
At 31 July 2020	17,738	7,481	4,203	-	29,422
	-----	-----	-----	-----	-----
Net book value					
At 31 July 2020	74,746	3,737	1,873	230	80,586
At 31 July 2019	76,409	3,885	932	31	81,257

Freehold land and buildings include a cost of £40,113,000 for the City Centre Campus, which was partly funded through a grant from the Welsh Government. The terms of this grant places restrictions on the use of the campus and any potential disposal would require the approval of the Welsh Government.

The net book value of equipment includes an amount of £704,000 (2019: £397,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £271,000 (2019: £387,000).

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

12 TANGIBLE ASSETS (continued)

College	Land & buildings	Plant, equipment & vehicles	Computers & IT	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 August 2019	91,474	7,582	4,790	31	103,877
Additions	144	694	1,568	199	2,605
Disposals	-	-	(282)	-	(282)
	-----	-----	-----	-----	-----
At 31 July 2020	91,618	8,276	6,076	230	106,200
	-----	-----	-----	-----	-----
Accumulated depreciation					
At 1 August 2019	15,378	4,694	3,860	-	23,932
Charge for the year	1,784	790	626	-	3,200
Disposals	-	-	(282)	-	(282)
	-----	-----	-----	-----	-----
At 31 July 2020	17,162	5,484	4,204	0	26,850
	-----	-----	-----	-----	-----
Net book value					
At 31 July 2020	74,456	2,792	1,872	230	79,350
At 31 July 2019	76,096	2,888	930	31	79,945

Freehold land and buildings include a cost of £40,113,000 for the City Centre Campus, which was partly funded through a grant from the Welsh Government. The terms of this grant places restrictions on the use of the campus and any potential disposal would require the approval of the Welsh Government.

The net book value of equipment includes an amount of £704,000 (2019: £393,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £271,000 (2019: £352,000).

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENTS

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

- ICAT Limited, whose principal business activity is the provision of customised training;
- CF10 Retail Limited, whose principal business activity is the provision of retail services;
- International Centre for Aerospace Training Limited (dormant);
- Cardiff College Enterprises Limited (dormant);
- Element Skills Training Limited, the company did not trade in the year and the directors intend to wind up the company in due course;
- South East Wales City Region ATA Limited whose principal business activity is to offer employers a low risk, easy to use apprenticeship model; and
- ACT (Holdings) Limited. ACT (Holdings) Limited owns 100% of the share capital of Associated Community Training Limited. Associated Community Training Limited owns 100% of the share capital of Apprenticeship Learning Solutions Limited ("ALS"). Together these entities form the ACT Group.

Investment in the ACT Group

The cost of the investment in the ACT group of £19,098,000 (2019: £16,857,000) includes an adjustment of £2,761,000 (2019: £1,343,000) made during 2019/20 to reflect additional deferred consideration which it is now payable due to performance conditions being met in the period, and a further adjustment of £42,000 relating to interest paid on deferred consideration. This has resulted in a corresponding increase to goodwill (see note 11).

There were two further adjustments to the College's investment in the ACT Group during the year:

- As described in note 21, during the year Associated Community Training Limited settled its liability relating to its former involvement, prior to acquisition by the College, in an Employer-Financed Retirement Benefit Scheme (EFRBS). Whilst the settlement of £594,000 was paid to HMRC by Associated Community Training Limited, as agreed as part of the acquisition of the ACT Group the cost of settling the liability was reimbursed to the College in full by the former owners of the ACT Group.
- To facilitate this matter, on 29 January 2020 the directors of ACT (Holdings) Limited resolved to increase the authorised share capital of ACT (Holdings) Limited to 595,194 (2019: 690) ordinary shares of £1 each, and to allot 594,504 new shares to the College, the parent undertaking.

As the above adjustments were for equal and opposite values, the reported cost of investment in the ACT Group shown on the College balance sheet is unchanged from the prior year.

Cash flows

The statement of cash flows shows a total cash outflow of £2,206,000 (2019: £2,412,000) in respect of the acquisition of subsidiary undertakings. This comprises:

- £2,479,000 cash payments made in respect of ACT Limited contingent consideration (2019: £2,217,000); and
- £299,000 cash payments made in respect of ALS Limited contingent consideration (2019: £195,000)

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

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

14 TRADE AND OTHER RECEIVABLES

	As at 31 July 2020		As at 31 July 2019	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	6,039	1,004	6,486	1,585
Prepayments and accrued income	2,189	1,865	3,577	2,283
Amounts due from subsidiary undertakings	-	711	-	341
	-----	-----	-----	-----
	8,228	3,580	10,063	4,209
	-----	-----	-----	-----

15 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 July 2020		As at 31 July 2019	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Bank loans (see note 17)	2,008	2,008	2,230	2,230
Obligations under finance leases	199	199	181	176
Trade payables	3,661	2,050	3,438	2,234
Other taxation and social security	1,653	1,288	1,374	1,005
Accruals and deferred income	4,979	4,719	4,442	3,736
Holiday pay accrual	861	861	695	695
Government capital grants	1,071	1,071	873	873
Other grants	5	5	395	395
Contingent consideration	2,752	2,190	2,692	2,393
Other creditors	22	22	101	-
	-----	-----	-----	-----
	17,211	14,413	16,421	13,737
	-----	-----	-----	-----

Contingent consideration is the net present value of potential future consideration payments relating to the acquisition of the ACT Group, including ALS (see note 13). The liability relates to agreed financial performance targets which have been met by the ACT Group in the year, and this arrangement is structured so that any liability falling due in this regard will be fully funded from the related additional surpluses generated by the ACT Group. The College liability relates to the deferred consideration in respect of ACT Limited. The consolidated liability also includes the deferred consideration in respect of ALS Limited, as this will be payable by ACT.

Deferred Income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance-related conditions have been met.

	As at 31 July 2020		As at 31 July 2019	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Deferred income	1,222	1,222	1,313	1,313
	-----	-----	-----	-----
	1,222	1,222	1,313	1,313
	-----	-----	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

16 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	As at 31 July 2020		As at 31 July 2019	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Bank loans (see note 17)	37,196	37,196	39,205	39,205
Obligations under finance leases	408	408	194	194
Government capital grants	17,734	17,734	16,775	16,775
	-----	-----	-----	-----
	55,338	55,338	56,174	56,174
	-----	-----	-----	-----

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

	2020 £'000	2019 £'000
At 1 August	17,648	17,818
New grants received during the year	2,030	652
Grant released during the year	(873)	(822)
	-----	-----
At 31 July	18,805	17,648
	-----	-----

17 BORROWINGS

Bank loans

Bank loans are repayable as follows:

	As at 31 July 2020		As at 31 July 2019	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Due within one year or on demand	2,008	2,008	2,230	2,230
Due between one and two years	5,798	5,798	5,758	5,758
Due between two and five years	6,936	6,936	6,992	6,992
Due in five years or more	24,463	24,463	26,455	26,455
	-----	-----	-----	-----
Total	39,205	39,205	41,435	41,435
	-----	-----	-----	-----

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

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

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

17 BORROWINGS (continued)

Bank loans (continued)

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

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

In addition to the bank loans described above, on 23 July 2018 the College secured a £3.5million revolving credit facility with Santander. This facility is repayable after three years, although with the option to extend for up to a total of five years, and incurs interest at a rate of one-month LIBOR + 1.5%.

Finance leases

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

	31 July 2020		31 July 2019	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
In one year or less	199	199	181	176
Between two and five years	408	408	194	194
Total	607	607	375	370

18 CONSOLIDATED RECONCILIATION OF NET DEBT

	At 1 August 2019	Cash flows	Non cash loan movement	New finance leases	At 31 July 2020
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	2,913	6,406	-	-	9,319
Debt due after one year	(39,205)	-	2,008	-	(37,197)
Debt due within one year	(2,230)	2,230	(2,008)	-	(2,008)
Finance leases	(375)	332	-	(564)	(607)
	(38,897)	8,968	-	(564)	(30,493)

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

19 LEASE OBLIGATIONS

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

	2020		2019	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Land and Buildings				
Not later than one year	1,456	718	1,457	596
Later than one year and not later than five years	4,189	2,169	4,227	2,012
Later than five years	7,796	4,834	8,584	5,176
	-----	-----	-----	-----
	13,441	7,721	14,268	7,784
	-----	-----	-----	-----
Other				
Not later than one year	112	112	115	115
Later than one year and not later than five years	57	57	169	169
	-----	-----	-----	-----
	169	169	284	284
	-----	-----	-----	-----

20 PENSION PROVISIONS

The Group operates the following pension schemes:

- the Cardiff and Vale of Glamorgan Pension Fund ("C&VPF"), a defined benefit scheme operating under the Local Government Pension Scheme ("LGPS");
- the Teachers' Pension Scheme ("TPS"), a defined benefit scheme;
- the National Employment Savings Trust ("NEST") pension scheme, a defined contribution scheme;
- the Scottish Widows pension scheme, a defined contribution scheme;
- the St James's Place Wealth Management scheme, a defined contribution scheme;
- Legal & General, a defined contribution scheme; and
- Aviva, a defined contribution scheme.

Consolidated

	2020	2019
	£'000	£'000
Teachers' Pension Scheme: contributions paid	3,070	1,960
Local Government Pension Scheme:		
Contributions paid	1,680	1,560
FRS 102 (28) charge	<u>2,080</u>	<u>1,750</u>
	3,760	3,310
Enhanced pension charge (see note 21)	37	31
Defined contribution schemes: contributions paid	426	428
	-----	-----
Total pension cost for the year within staff costs	7,293	5,729
	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

20 PENSION PROVISIONS (continued)

College		2020		2019
	£'000	£'000	£'000	£'000
Teachers' Pension Scheme: contributions paid		3,070		1,960
Local Government Pension Scheme:				
Contributions paid	1,680		1,560	
FRS 102 (28) charge	<u>2,080</u>		<u>1,750</u>	
		3,760		3,310
Enhanced pension charge (see note 21)		37		31
		-----		-----
Total pension cost for the year within staff costs		6,867		5,301
		-----		-----

The pension costs for the defined benefit schemes are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2016 and the C&VPF 31 March 2019.

At 31 July 2020 contributions amounting to £553,000 (2019: £421,000) were payable to the schemes and are included within creditors.

Teachers' Pension Scheme

Overview

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

The Teachers' Pension Budgeting and Valuation Account

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

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

20 PENSION PROVISIONS (continued)

Valuation of the Teachers' Pension Scheme

The most recent actuarial valuation of the Teachers' Pension Scheme was published in March 2019, using membership data as at 31 March 2016. As a result of this valuation TPS employers now pay an increased contribution rate of 23.68% (including the administration levy of 0.8%) which became effective from September 2019. Until then, employers paid at a rate of 16.48%.

Scheme changes

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

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case was subsequently referred to an Employment Tribunal in December 2019, which decided that the affected scheme members were entitled to return to their pre-2015 pension schemes.

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

The pension costs paid to TPS in the year amounted to £3,070,000 (2019: £1,960,000).

FRS 102 (28)

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

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

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

Overview

The C&VPF is a funded defined benefit scheme, operating under the Local Government Pension Scheme (LGPS) with the assets held in separate trustee-administered funds.

The financial statements incorporate the accounting information from the actuarial accounting valuation at 31 July 2020, which reflects an update of the results of the most recent funding valuation as at 31 March 2019 (which was finalised in March 2020) in line with the requirements of FRS102.

Due mainly to the exceptional circumstances linked to the Covid-19 pandemic, the net pension liability recognised on the balance sheet has increased to £41.9million at 31 July 2020 compared to £20.4million at 31 July 2019. This is due mainly to reduced yields on corporate bonds (upon which the discount rate is determined) and volatile investment returns linked to the pandemic.

CARDIFF AND VALE COLLEGE**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020****NOTES TO THE FINANCIAL STATEMENTS**

20 PENSION PROVISIONS (continued)Principal assumptions

The principal assumptions made by the actuaries were:

	2020	2019
RPI Inflation	2.8%	3.2%
CPI Inflation	2.2%	2.2%
Rate of increase in salaries	3.2%	3.2%
Rate of increase for pensions in payment	2.2%	2.2%
Rate of revaluation of pension accounts	2.2%	2.2%
Rate of increase to deferred pensions	2.2%	2.2%
Discount rate for liabilities	1.4%	2.2%

Mortality

The mortality assumptions are based on the SAPS S2N standard mortality tables with allowance for future improvements in line with CMI 2014 core projections with a long term improvement rate of 1.5% pa. The assumed life expectations on retirement at age 65 are:

	2020	2019
Retiring today:		
Male	22.2	22.1
Female	24.6	22.7
Retiring in 20 years:		
Male	23.2	24.5
Female	26.0	25.6

Asset split as a percentage of total assets

	2020	2019
Equities	61.1%	64.9%
Property	8.2%	7.2%
Government bonds	12.0%	9.9%
Corporate bonds	17.1%	11.0%
Cash	1.4%	1.9%
Other	0.2%	5.1%
	-----	-----
	100.0%	100.0%
	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

20 PENSION PROVISIONS (continued)

Analysis of the amount charged to the Statement of Comprehensive Income

	2020	2019
	£'000	£'000
Amounts included in staff costs		
Employer current service cost net of employee contributions	3,740	2,510
Past service cost - pension strain	20	20
Past service cost - McCloud Judgement	-	660
Past service cost - GMP indexation	-	120
	-----	-----
Total amount charged to the Statement of Comprehensive Income	3,760	3,310
	-----	-----

Amounts included in interest payable

	2020	2019
	£'000	£'000
Net interest cost	430	370
	-----	-----

Amount recognised in Other Comprehensive Income

	2020	2019
	£'000	£'000
Asset (losses)/gains arising in the year	(900)	1,180
Liability increase arising in the year	(18,120)	(5,480)
	-----	-----
Total amount recognised in Other Comprehensive Income	(19,020)	(4,300)
	-----	-----

Net pension liability recognised on balance sheet

	2020	2019
	£'000	£'000
Fair value of College's share of scheme assets	42,300	41,050
Present value of defined benefit obligation relating to the College	(84,220)	(61,440)
	-----	-----
Net pension liability applicable to the College	(41,920)	(20,390)
	-----	-----

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

20 PENSION PROVISIONS (continued)

Movement in net pension liability during the year

	2020	2019
	£'000	£'000
At 1 August	(20,390)	(13,970)
Current service cost	(3,740)	(2,510)
Employer contributions	1,680	1,560
Past service cost	(20)	(800)
Net interest cost on assets	(430)	(370)
Actuarial loss	(19,020)	(4,300)
	-----	-----
At 31 July	(41,920)	(20,390)
	-----	-----

Movement in present value of defined benefit obligation

	2020	2019
	£'000	£'000
At 1 August	61,440	51,390
Current service cost	3,740	2,510
Past service cost	20	800
Interest expense	1,350	1,440
Remeasurement: actuarial loss*	18,120	5,480
Contributions by members	610	570
Benefits paid #	(1,060)	(750)
	-----	-----
At 31 July	84,220	61,440
	-----	-----

Movement in fair value of scheme assets

	2020	2019
	£'000	£'000
At 1 August	41,050	37,420
Interest income	920	1,070
Remeasurement: (losses)/gains on assets	(900)	1,180
Contributions by employer	1,680	1,560
Contributions by members	610	570
Benefits paid #	(1,060)	(750)
	-----	-----
At 31 July	42,300	41,050
	-----	-----

*Includes changes to the actuarial assumptions.

Consists of net cash flow out of the fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

20 PENSION PROVISIONS (continued)

Other issues

The actuarial valuation for the year ended 31 July 2020 considered the following issues:

McCloud Judgement

In December 2018 the Court of Appeal ruled in the 'McCloud/ Sargeant' judgement that the transitional protection arrangements put in place when the Firefighters' and Judges' pension schemes were reformed were age discriminatory. The Government subsequently committed to extending a remedy across all public sector schemes that included similar transitional protection arrangements, which includes the LGPS. The financial statements for the prior year included an estimate of potential McCloud liabilities, which were included within past service costs.

The actuarial valuation for the year ended 31 July 2020 includes an updated estimate of potential McCloud liabilities using the data provided for the 2019 funding valuation, allowing for the key elements of the proposed remedy as set out in the consultation published by the Ministry of Housing, Communities & Local Government in July 2019. The impact of this update has been included within Other Comprehensive Income.

GMP indexation

A High Court ruling in October 2018 determined that pension funds must equalise benefits payable to pension scheme members who have guaranteed minimum pensions (GMPs) as a result of contracted out benefits. The method for calculating GMPs used different retirement ages for men and women, which was later ruled to be unlawful due to the resulting difference in benefit between men and women. The High Court ruling has determined the method that pension schemes should use to equalise these benefits. The financial statements for the prior year included an estimate of potential liabilities in respect of the ruling, which were included within past service costs.

The actuarial valuation for the year ended 31 July 2020 includes an assumption of full indexation of GMPs for members whose State Pension Age is on or after 6 April 2016. The impact of any change to this assumption compared to the prior year has been recognised within Other Comprehensive Income.

Cost Management Process

Legislation requires HM Treasury (HMT) and the LGPS Scheme Advisory Board (SAB) to undertake periodic reviews to monitor the cost of the LGPS to ensure it remains sustainable and affordable. This is referred to as the 'Cost Management Process'.

HMT and the SAB paused their reviews following the 'McCloud' judgement in the Court of Appeal. However, HMT recently announced the unpausing of its review process, and it is expected that the LGPS SAB's process will also be unpaused in due course. Due to the uncertainty over the outcome of those processes, the actuarial valuation for the year ended 31 July 2020 has not made any allowance for the Cost Management Process.

Defined contribution schemes

The Group operated three defined contribution schemes during the year. Employer contributions paid into these schemes during the year totalled £426,000 (2019: £428,000). Contributions payable to the Group's defined contribution pension schemes are charged to profit or loss in the period to which they relate.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

21 OTHER PROVISIONS

Consolidated	Enhanced pension	Redundancy	Deferred tax	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2019	404	95	73	694	1,266
Additions	37	32	-	-	69
Utilised in the year	(32)	(95)	(11)	(594)	(732)
Interest charged on provision (note 10)	8	-	-	-	8
	-----	-----	-----	-----	-----
At 31 July 2020	417	32	62	100	611
	-----	-----	-----	-----	-----

College	Enhanced pension	Redundancy	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2019	404	95	100	599
Additions	37	32	-	69
Utilised in the year	(32)	(95)	-	(127)
Interest charged on provision (note 10)	8	-	-	8
	-----	-----	-----	-----
At 31 July 2020	417	32	100	549
	-----	-----	-----	-----

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

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

Other provisions at 31 July 2020 include an estimate of potential future repayment of grant funding. Other provisions at 1 August 2019 included the estimated costs associated with the settlement of the company's involvement in an Employer-Financed Retirement Benefit Scheme (EFRBS). The EFRBS liability was settled in full during the year

22 CAPITAL COMMITMENTS

The College had no contractual capital commitments at 31 July 2020 (2019: £nil).

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

23 RELATED PARTY TRANSACTIONS

Group

During the year the group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 July, are as follows:

Transactions with companies under common control:

	Net value of supply in year £'000	Balance owed at end of year £'000
Sales of goods and services to related parties		
2020	264	-
2019	237	39
Purchases of goods and services from related parties		
2020	1,760	133
2019	1,842	43

College

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

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

24 AGENCY RECEIPTS AND PAYMENTS

Financial contingency funds

	2020 £'000	2019 £'000
At 1 August		
Welsh Government grants plus interest	663	644
Disbursements	(606)	(644)
	-----	-----
At 31 July	57	-
	=====	=====

Welsh Government financial contingency fund grants are available to support students who are suffering financial hardship and otherwise would not have been able to undertake courses at the College. Grants can be made to provide for meals, travel costs, equipment, fees and childcare, and payments can either be made to cover the full costs incurred or on an agreed sliding scale.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

24 AGENCY RECEIPTS AND PAYMENTS (continued)

Financial contingency funds (continued)

The funds received were administered in accordance with the terms and conditions specified, the unused balances of the grants being invested in a separate interest-bearing bank account that is not included in the College's balance sheet.

Unused funds shown above will be carried forward for disbursement in the forthcoming year, as permitted by the scheme regulations.

Young Recruits Programme

During the year the College participated in the Welsh Government's Young Recruits Programme (YRP), an initiative which aimed to incentivise employers to recruit additional apprentices (aged 16-24) by providing a wage subsidy. The initiative is no longer open to new participants, and any grant money drawn down by the College and not claimed by the employer will be repaid to the Welsh Government. The total amount repaid to the Welsh Government in the year ended 31 July 2020 was £nil (2019: £4,000).

Apprenticeship Employer Incentive Programme

	2020	2019
	£'000	£'000
Balance at 1 August	-	7
Gross programme funding received	85	121
Incentive payments made to employers	(78)	(128)
	-----	-----
Balance at 31 July	7	-
	=====	=====

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

25 PRIOR YEAR ADJUSTMENT

The financial statements have been restated to incorporate the impact of the Triennial Review of FRS102 ("the Review") issued by the Financial Reporting Council in December 2017, which came into effect for accounting periods beginning on or after 1 January 2019.

The Review clarified that a future gift aid payment expected to be received by a charitable parent from its subsidiary company was a distribution; as such, in the absence of a legal obligation (such as a deed of covenant), FRS102 does not now permit an asset to be recognised in respect of the expected payment.

Accordingly, the comparative information in the financial statements has been restated to exclude the expected gift aid payment that was recognised within debtors in the balance sheet as at 31 July 2019 and in the statement of changes in equity for the year then ended.

CARDIFF AND VALE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

NOTES TO THE FINANCIAL STATEMENTS

25 PRIOR YEAR ADJUSTMENT (continued)

The changes are summarised below.

	2019 as previously reported £'000	Restatement £'000	2019 as restated £'000
Profit and loss account - College (extract)			
Gift aid income from subsidiaries	4,228	(280)	3,948
Total income	57,584	(280)	57,304
Deficit for the year	(289)	(280)	(569)
Total comprehensive expense for the year	(4,589)	(280)	(4,869)
Balance sheet - College (extract)			
Debtors	7,302	(3,093)	4,209
Net current (liabilities)/assets	(4,152)	(3,093)	(7,245)
Total assets less current liabilities	93,461	(3,093)	90,368
Net assets	16,298	(3,093)	13,205
Profit and loss account	5,009	(3,093)	1,918
Total equity	16,298	(3,093)	13,205
Statement of changes in equity (extract)			
Profit and loss account at 31 July 2019	5,009	(3,093)	1,916
Notes to the financial statements (extract)			
<u>6. Gift aid income from subsidiaries</u>			
From Associated Community Training Limited	3,482	(288)	3,194
From Apprenticeship Learning Solutions Limited	746	8	754
	4,228	(280)	3,948
<u>14. Debtors: (extract)</u>			
Gift aid payable to Cardiff and Vale College Further Education Corporation	3,093	(3,093)	-

26 RESTRICTED RESERVE

The restricted reserve of £1,525,000 (2019: £1,525,000) represents the accumulated income and expenditure reserve of the Vale of Glamorgan Training Association (VGTA) on merger with Barry College on 31 July 2010. A condition of the merger, as set out in the transfer deed, is that the assets of the VGTA, including the reserves transferred to the College, will be used exclusively for the charitable objective of the VGTA – *to advance the vocational preparation and training and the education of young people and adults.*