

Bridgend College
Coleg Penybont

Report and Financial
Statements

Adroddiad a Datganiadau
Ariannol

For the year ended 31 July 2019
Y flwyddyn a gwblhawyd 31
Gorffennaf 2019

Coleg Penybont
Bridgend College



KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2018/19:

Principal, Chief Executive Officer and Accounting Officer	Simon Pirotte
Deputy Principal - Curriculum / Teaching & Learning	Viv Buckley
Vice Principal - Resources	Andrew Gibbs
Assistant Principal - Leaner Journey	Joe Baldwin
Executive Director of Work Based Learning and Commercial Activity	Matthew Williams
Director of Curriculum and Quality	Elisabeth Evans
Director of People	Sam Morgan

Key management personnel resignations

Director of Funding, Registry & Finance	Sara Foster	Resigned February 2019
Director of IT, Digital Development & Marketing Services	Nerys Gimblett	Resigned February 2019
Director of Higher Education	Kathryn Sweet	Resigned February 2019
Director of Quality, Standards & Skills	Karen Lamprey	Resigned February 2019

Board of Governors

A full list of Governors is given on page 10 of these Financial Statements.

Mrs N Eyre acted as the Clerk to the Corporation; Mrs A Morgan acted as Interim Clerk to the Corporation throughout the period of Mrs N Eyre's absence.

Principal and registered office

Cowbridge Road, Bridgend, CF31 3DF

Professional advisers

Financial statements auditors and reporting accountants:
PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

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

Bankers
Barclays Bank PLC
Windsor Court
3 Windsor Place
Cardiff
CF10 3BX

Solicitors
Capital Law
Capital Building
Tyndall Street
Cardiff
CF10 4AZ

Eversheds Sutherland
1 Callaghan Square
Cardiff
CF10 5BT

Subsidiary Companies

The People Business, Wales Limited
Engage Business Wales Limited
Bridgend College Enterprises Limited

Company number: 04083973
Company number: 09701651
Company number: 03378821

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STRATEGIC REPORT

Nature, objectives and strategies

The members present their report and the audited Financial Statements for the year ended 31 July 2019.

Legal status

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

The Corporation was incorporated as Bridgend College of Arts and Technology. On 1 October 2001, the Secretary of State granted consent to the Corporation to change the College's name to Bridgend College.

MISSION

The College mission statement is
Be all that you can be.

VALUES

People centred
Inspirational
Passionate
Innovative

Public Benefit

Bridgend College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Cabinet Secretary for Education within Welsh Government. The members of the Governing Body are disclosed on page 10.

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
- Links with Local Enterprise Partnerships (LEPs)

The delivery of public benefit is covered throughout the Members' Report.

Implementation of strategic plan

The current strategic plan runs for the period from 1 August 2014 to 31 July 2019. The Corporation monitors the performance of the College, and the plan is reviewed and updated accordingly each year.

The College's continuing strategic objectives are to be:

- Excellent:
 - 90% successful completion rate
 - All areas judged "Excellent" by Estyn
 - All learning areas judged "Excellent" by Welsh Government (85%+)
- Efficient:
 - Turnover to exceed £30 million with a maximum of 58% reliance on Welsh Government funding
 - Minimum of 2% turnover as operational surplus
 - Achieve 30 days cash (net liquid assets)
- Engaging:
 - In Times Top 100 Public Sector companies to work for
 - In top 3 colleges in Welsh Government Learner Voice Survey
 - Staff Survey provides results that are in the top 25%

Performance indicators

A series of corporate performance indicators have been agreed with the Governing Body to monitor the successful implementation of the policies. These are shown in the chart below:

KPI Ref.	College Targets	2019 Target	2019 Actual
1	Successful Completion	90%	85%
2	Estyn inspection of curriculum areas	Excellent	Excellent
3	WG rating of curriculum areas	Excellent	Excellent
4	Turnover level (YTD)	£30.0m	£31.2m
5	Operating Surplus as a % of Turnover (YTD) *	2%	1.4%
6	Cash expressed as number of days expenditure (YTD)	30 days	37 days
7	Times Top 100 Employer accreditation	Achieved	Achieved
8	Ranking for Welsh Government Learner Voice Survey	Top Quartile	-
9	Staff Survey results in top quartile	Top Quartile	
10	Delivery expressed as a % of Funding	-	101.7%

* Operating surplus is calculated by taking the overall surplus / (deficit) and stripping out FRS102 accounting adjustments (pension interest and holiday pay accrual movement) and exceptional items (see note 10).

Progress is tracked through the year at each Governing Body meeting, the final outcomes are detailed below:

KPI Ref.	College Targets - Commentary
1	The final Learner Outcome Report shows the College as delivering a Successful Completion rate for Main Qualifications of 85%.
2	The College received a rating of 'Excellent' at the recent Estyn Inspection.
3	Under current internal monitoring each curriculum area is assessed independently, the results include 18 areas classified as Excellent (>=85%), 2 are Good (>75%<84%) and 3 are classified as Adequate (>65%<74%).
4	Total turnover for the year ending 31 July 2018 is £31.2m.
5	An Operating Surplus of £449k is equivalent to 1.4% of turnover.
6	Total cash stood at £3.0m at year end which equates to approximately 37 days of expenditure.
7	The College won 28th place in the Times Top 100 Not For Profit Best Companies 2017.
8	DfES has now ended this survey so a new measure will need to be considered in the future.
9	The latest staff survey has achieved results in the 1 st / 2 nd quartile as per the target.
10	The College has delivered 101.7% of its funding target.

FINANCIAL POSITION

Financial results

The Group generated a deficit before other gains and losses in the year of £1,204k (2017/18: deficit of £1,313k), with total comprehensive income of (£3,780k) (2017/18: £2,588k)).

The Group has reserves of £2,980k (2017/18: £6,760) and cash and short term investment balances of £3,057k (2016/17: £2,938k).

Tangible fixed asset additions during the year amounted to £1,916k. This included land and buildings additions of £123k, equipment purchased of £884k and assets in the course of construction £909k.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19, the FE funding bodies provided 63.1% (2017/18: 59.7%) of the Group's total income.

The College has three subsidiary companies; Engage Business Wales Limited, The People Business Wales Limited, and Bridgend College Enterprises Limited. The principal activities of Engage Business Wales Limited are the provision of commercial and bespoke employer training courses, whilst The People Business Wales limited carries out training courses for post 16 learners including The Prince's Trust Programme. Bridgend College Enterprises Limited was dormant throughout the year.

People Business Wales Limited ceased trading in September 2019.

Treasury policies and objectives

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.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the College's Financial Regulations.

Cash flows and liquidity

The Group's cash balance at 31 July 2019 was £3.1 million; this is an increase from last year's balance of £2.9 million. Net cash flow from operating activities also increased this year, totalling £2.5 million at 31 July 2019 (2017/18: £1.2 million).

Reserves

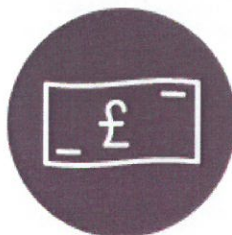
The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of the organisation, and ensures that there are adequate reserves to support the College's core activities.

Financial Health

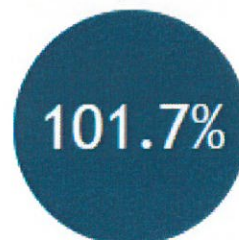
The College has delivered improved financial health in recent years, despite increasing financial constraints on the further education sector.



Group - 63.1% reliance on Welsh Government funding - on target to achieve Strategic Plan target of 58% reliance by 2019.



Group - 37 Cash days - exceeding Strategic Plan target of 30 days by 2019.



Delivery expressed as a % of Funding - exceeding target of 97.5%

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Learner numbers

In 2018/19, the College delivered to just over 2,800 Full-Time students and approximately 5,500 part-time students across a range of Further Education, Higher Education and Work Based Learning activities. Despite a reducing demographic the College has managed to increase the number of learners; this is as a result of a flexible curriculum, strong marketing and being recognised locally and nationally as an excellent College.

Learner achievements

Students continue to prosper at the College, and in addition to their academic performance the College is proud to report the following achievements of our learners:

Gold and Silver at World Skills 2018

Samuel Garrett Da Rosa, Josef Ahmed and William May-White secured Gold in the Manufacturing Team Challenge, in collaboration with Ford. The Silver award went to Liam Newman whose area of expertise is Web Design. The National Finals in Birmingham saw more than 500 competitors take part in 79 different disciplines. Winners will now be considered to represent the UK at the international competition within the next year.

Prince's Trust Awards

Taylor Saunders was awarded the Breakthrough Award at the Prince's Trust Awards 2018.

Bridgend Business Forum awards

Keiron Farr was awarded Business Student of the Year at this year's Bridgend Business Forum awards. Kieron was also the winner of the 2018 Bridgend College Fairwood Trust Bursary.

Skills Competition Wales

Deri Jones won Gold and Ben James won Bronze at the East regional of the Bricklaying competition at Skills Competition Wales.

Curriculum developments

The College exists for its learners and will provide a range of curriculum choices that provide stimulating learning experiences for all which will assist the pursuit of a rewarding life and career. We wish to attract learners of all ages and backgrounds and to provide a personalised learning experience that will allow the development of the skills, knowledge and attributes necessary for successful outcomes, such as progression to further study, employment or personal development.

The College sees itself as a major resource for its local communities, essential to the economic well-being of the area which it serves and having a major role in the delivery of the Welsh Government's 4 key priorities for the FE sector:

- Jobs & Growth
- Financial Sustainability
- Equality & Equity
- International Benchmarking

We are committed to working closely with all our stakeholders, participating actively in all relevant local fora, and develop a curriculum that responds positively and flexibly to identified needs. The curriculum is critical

College Performance

The College has had another successful year, overall results for the 2018/19 academic year are unconfirmed, but the College is predicted to improve on its successful completion rates in main qualifications from 2017/18. In 2017/18 the College achieved the highest successful completion results in the sector for all qualifications at 90%. The College also achieved 83% successful completion in main qualifications.

National Equine Intercollege Competition

Our Equine learners won the 2019 National Intercollege Competition in Warwickshire.

IMI Outstanding Achievers' Awards

John Higgins won the award for Outstanding Technical Student - Land-based at the Institute of the Motor Industry (IMI) awards 2018.

RHS Cardiff

The RHS Show is one of the biggest events in the horticultural calendar. Along with this year's display based on the Green Lady of Caerphilly Castle, HND Year 1 learners were awarded the silver medal for creating a blossoming bed which supports the health benefits of horticulture and the environment.

Leonard Cheshire Strictly Cymru competition

Michael Davies won the South Wales heat of the Leonard Cheshire Strictly Cymru competition. Michael has won a series of private dance sessions in the run up to the grand finale in May.

in helping the College achieve a secure financial base and must be run efficiently so that we can achieve maximum value for money in the delivery of our services.

The Curriculum Strategy is in line with the College's vision, values and strategic aims. The College will develop and support the continuous improvement of the complete learner experience and will aim to deliver an evolving curriculum that is prioritised in relation to social and economic need, government policy and resource availability.

The College aims to continually review its curriculum portfolio to:

- Meet and address demand
- Facilitate progression opportunities to higher level learning and employment
- Develop specialist and transferable skills and thus enhance employability
- Develop partnerships and collaboration opportunities with external organisations including business and industry, local employers, Councils, Chambers of Commerce, Schools and Learning Communities, Universities and Sector Skills Councils (SSCs)

- Develop Welsh Language opportunities
- Promote social inclusion, enterprise and entrepreneurship, education for sustainable development and global citizenship (ESDGC) and international opportunities

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998 requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the accounting period 1 August 2018 to 31 July 2019, the College achieved payment of 93 per cent of its invoices within 30 days. The prior year comparator stood at 91 per cent. The College incurred no interest charges in respect of late payment for this period.

Sustainability

The College continues to be a sector leader in sustainability and work is on-going to embed a culture of sustainable development and global citizenship amongst our learners and staff.

Events after the end of the reporting period

There were no significant post Balance Sheet events.

Future prospects

The College continues to seek ways of increasing learner numbers and has plans in place to expand its offering of post-16 education courses. Significant growth was achieved during the year on the College's Work Based Learning contract and the College aims to maintain the current level of HE income. The College already has a low reliability on central funding and seeks to further reduce its dependency by seeking opportunities for growth in commercial income.

Resources

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the two main college sites at Cowbridge Road and Pencoed which include significant areas of land; in addition the College owns property at Queens Road, Bridgend Industrial Estate, Castle Street, Maesteg, and at the premises of The People Business Wales Limited in Holton Road, Barry.

Financial

The College has £2.7 million total net assets which includes £13.6 million pension liability.

People

The College employs 501 people (expressed as full time equivalents).

Reputation

The College is award winning and has an excellent reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships. Success in 2019/20 included:

- Winners of the TES FE College of the year 2019
- Simon Pirotte, Principal and CEO was awarded Director of the Year - Public/Third Sector at the IoD 2018 Wales Awards;

- Gemma Carr-Evans, Head of Curriculum Partnerships, was awarded the 'Promoting Collaboration to Improve Learning Opportunities' the 2019 awards;
- Silver Award in Mind's Workplace Wellbeing Index 2018/19;
- Bridgend College Cyfleoedd Team was shortlisted for the National Association for Managers of Student Services (NAMSS) Awards 2019;
- Shortlisted for What Uni Choice Awards 2019.

Principal risks and uncertainties

Based on the strategic plan, the College undertakes a comprehensive review of the risks to which it is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and, through regular review, their effectiveness and progress is monitored. As part of this review process consideration is given to potential additional risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at every Audit Committee and annually by the Governing Body. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a matrix scoring system.

Equality and Diversity

The College is committed to a policy of equality of opportunity and diversity in everything it does. Bridgend College embraces diversity and will seek to promote its benefits in all of our activities. We will seek to develop a culture that reflects that belief. We will seek to widen the mediums in which we recruit to ensure as diverse as possible employee and candidate base.

We take positive steps to ensure that all current and prospective employees and students are not discriminated against, either directly or indirectly, on the grounds of gender, age, disability, marital status, sexual orientation, creed / religion, ethnic or national origin. We value the differences, needs and contributions a diverse workforce and customer base represents.

The College places an obligation upon all our staff to respect and act in accordance with this policy. We are committed to providing equality and diversity training for all our staff.

Bridgend College extends this positive attitude in respect of equality and diversity to our contractors, students and the community.

We will be an equality and diversity champion and leader in:

- promoting equality and diversity
- challenging and eradicating discrimination
- providing responsive and accessible services

Within the overall framework of its statement of purpose and values, Bridgend College is committed to the principle and practice of equal opportunities and celebrates the diversity of people. We understand that these two

concepts are not the same but are complementary. Without recognising and, most importantly, valuing differences between people, there cannot be true equality of opportunity. Moreover Bridgend College promotes individual life-enhancing opportunities that respect all people.

Disability Statement

Bridgend College has adopted the social model of disability as a fundamental principle and recognises that people are not disabled by their impairments but the way in which they are discriminated against by society.

The social model says that:

- Disability is caused by society's failure to adapt itself to the different ways in which people accomplish activities
- Society in general (and the non-disabled majority in particular) bears the responsibility for disabling those people who are prevented from accomplishing activities in their own ways
- Disability can be best overcome by society learning to adapt to the variety of its citizens
- In the social model, disability is seen as the extra problems that people with impairments face because society is not geared up to take account of their needs.

Bridgend College will:

- Increase awareness in the organisation about the needs of staff, students and visitors with disabilities and work to ensure our practices do not

restrict use of our services or the contribution people with disabilities can make to our work.

- Make regular assessments of the accessibility of our sites and will actively seek opportunities to improve access to our premises' and services for people who have disabilities.
- We also recognise that disabilities may not always be visible and equally respect the wider needs of this group including individuals with mental health or debilitating conditions, including HIV and AIDS.

Learning & Development

The staff development programme incorporates the College's strategic aims, those of each Department and individual development needs. The College encourages staff to participate in cross college Learning & Development days and has developed a culture of continued professional development striving for consistency and excellence in teaching and learning across College. The College has a Learning & Development policy which can be accessed via the website www.bridgend.ac.uk.

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.

Approved by order of the members of the Corporation on 12 December 2019 and signed on its behalf by:



Simon Pirotte
Principal, Chief Executive Officer & Accounting Officer
12 December 2019

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

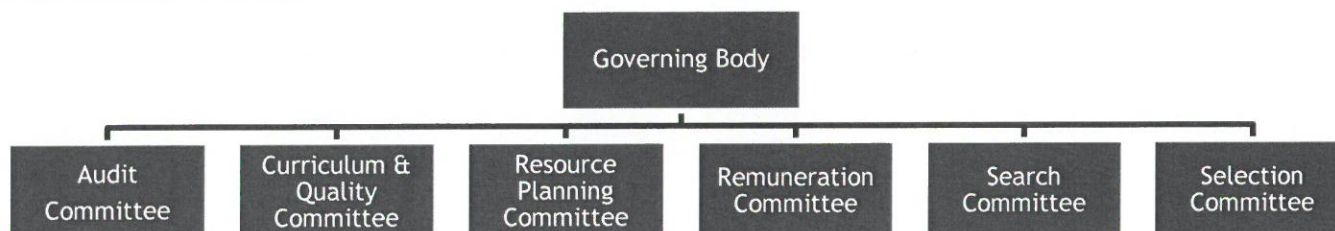
The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2018 to 31 July 2019 and up to the date of approval of the Annual Report and Financial Statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in accordance with The Governance Code for Further Education published by Colegau Cymru in January 2016 ("the Code");
- iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the

The Corporation structure



Audit Committee

The Audit Committee comprises four members of the Corporation (and excludes the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation. The Audit Committee meets 5 times during the year, at least once on a termly basis, and provides a forum for reporting by the College's internal, reporting accountants and Financial Statements auditors, who have access to the Committee for independent discussion, without the presence of College management.

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

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, reporting accountants and Financial Statements auditors and their remuneration for

College has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of Governance Code for Further Education issued by Colegau Cymru in 2016.

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

audit and non-audit work as well as reporting annually to the Corporation.

Curriculum & Quality Committee

The Curriculum & Quality Committee has responsibility for academic affairs of the College.

Resource Planning Committee

The Resource Planning Committee considers in detail all financial and resourcing aspects of the College. Particular attention is given to management accounts, forecasts, budgets and human resources. The committee also approves the College's Estate Strategy.

Remuneration Committee

Throughout the year ending 31 July 2019 the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2019 are set out in the Note 8 to the Financial Statements.

Search Committee

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

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

Selection Committee

The Selection Committee is responsible for the recruitment and selection of senior post-holders.

The Corporation

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Resource Planning Committee, Audit Committee, Curriculum & Quality Committee, and Remuneration Committee. Full minutes of all meetings, except those deemed to be confidential by the

Corporation are available from the Clerk to the Corporation at:

Bridgend College, Cowbridge Road, Bridgend CF31 3DF

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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

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

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

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

Corporation performance

The Governing Body undertakes an annual self-assessment exercise; a copy of these results can be requested by contacting Nicola Eyre, Clerk to the Corporation, Bridgend College, Cowbridge Road, Bridgend, CF31 3DF.

The Corporation membership

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

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance at Corporation Meetings
P Croke (Chair)	October 2012 Reappointed October 2016	4 years 4 years		Independent	Curriculum & Quality (Chair), Search & Governance (Chair), Selection (Chair), Remuneration, Resource Planning	5/6
D J Finch (Vice-Chair)	October 2012 Reappointed October 2016	4 years 4 years		Independent	Remuneration (Chair), Audit, Search, Selection	6/6
Simon Pirotte	June 2013			Principal and Chief Executive Officer	Curriculum & Quality, Resource Planning, Search & Governance, Selection	6/6
S Davies	March 2018	4 years		Staff Governor	Resource Planning	4/6
K Halabuda	April 2018	4 years		Staff Governor	Curriculum & Quality	4/6
B McDonald	September 2018	1 year		Student Governor	Curriculum & Quality	1/6
L Mengo	September 2018	1 year	March 2019	Student Governor	Curriculum & Quality	1/3
J Graystone	October 2014 Reappointed October 2018	4 years 4 years		Independent	Resource Planning, Selection, Remuneration, Search & Governance	5/6
M Gregory	October 2012 Reappointed October 2016	4 years 4 years		Independent	Curriculum & Quality	5/6
A Hoy	October 2016	4 years		Independent	Resource Planning	2/6
W Landon	October 2012 Reappointed October 2016	4 years 4 years		Local employer representative	Resource Planning (Chair)	4/6
K Lewis	October 2013 Re-appointed October 2017	4 years 4 years		Independent	Audit, Search & Governance, Selection, Remuneration	5/6
H Llewellyn	September 2017	4 years		Independent	Curriculum & Quality	5/6
S Pryce	October 2015	4 years		Independent	Resource Planning	3/6
I Skinner	Reappointed October 2015	4 years	October 2019	Independent	Audit (Chair),	5/6
D Baddeley	September 2018	4 years	September 2019	Local employer representative	Resource Planning	3/6
J Longville	December 2018	4 years		Independent	Curriculum & Quality	3/5
B Calvert	December 2018	4 years		Independent	Curriculum & Quality	2/5
T D'Souza	September 2019	4 years		Independent		N/A
C Smith	October 2019	4 years		Independent		N/A

Mrs N Eyre acts as Clerk to the Corporation and Mrs A Morgan acted as the Interim Clerk during Mrs Eyre's period of absence.

Internal control

Scope of responsibility

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College 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 Bridgend College for the year ended 31 July 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

Review of effectiveness

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's Financial Statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

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

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to

continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the Financial Statements.

Approved by order of the members of the Corporation on 12 December 2019 and signed on its behalf by:



Simon Pirotte
Principal, Chief Executive Officer & Accounting Officer
12 December 2019



Paul Croke
Chair of Governors
12 December 2019

GOVERNING BODY'S STATEMENT ON THE COLLEGE'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 the terms and conditions of funding, under the Financial Memorandum in place between the College and the Welsh Government. As part of our consideration we have had due regard to the requirements of the Financial Memorandum.

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

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



Simon Pirotte
Principal, Chief Executive Officer & Accounting Officer
12 December 2019



Paul Croke
Chair of Governors
12 December 2019

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the Financial Memorandum between the Welsh Government and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare Financial Statements for each financial year in accordance with the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education and with the Welsh Governments Accounts Direction 2017 to 2018, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the Financial Statements, the Corporation is required to:

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

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

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

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

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

Approved by order of the members of the Corporation on 12 December 2019 and signed on its behalf by:



Paul Croke
Chair of Governors
12 December 2019

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF BRIDGEND COLLEGE (THE "INSTITUTION")

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and the parent institution's affairs as at 31 July 2019, and of the group's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice - Accounting for Further and Higher Education; and
- have been properly prepared in accordance with the Accounts Direction issued by the Welsh Government.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise the Consolidated and College Balance Sheets as at 31 July 2019; the Consolidated and College Statements of Comprehensive Income and Expenditure for the year then ended; the Consolidated and College Statements of Changes in Reserves for the year then ended; the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent institution's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the institution's activities, students, suppliers and the wider economy.

Reporting on other information

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement of Responsibilities of Members of the Corporation set out on page 14, the Corporation is responsible for the preparation of the financial statements in accordance with the applicable framework and for being

satisfied that they give a true and fair view. The Corporation is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other Required Reporting

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

In our opinion, in all material respects:

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



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
12 December 2019

CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME & EXPENDITURE

		Year ended 31 July 2019		Year ended 31 July 2018		
	Notes	Group £'000	College £'000	Group £'000	College £'000	
Income						
Funding body grants	2	19,702	19,702	17,461	17,461	
Tuition fees and education contracts	3	7,839	7,553	7,961	7,587	
Other grants and contracts	4	157	157	132	132	
Other income	5	3,986	3,772	3,694	3,462	
Investment income	6	9	19	4	19	
Donations and endowments	7	1	1	-	-	
Total income		31,694	31,204	29,252	28,661	
Expenditure						
Staff costs	8	20,999	20,798	19,221	18,864	
Exceptional staff costs	10	632	632	190	190	
Other operating expenses	9	8,734	8,441	8,685	8,422	
Depreciation and Amortisation	13,14,15	1,997	1,973	2,033	1,811	
Interest and other finance costs	11	365	363	436	434	
Exceptional items	10	171	217	-	1,009	
Total expenditure		32,898	32,424	30,565	30,730	
Surplus before exceptional and non-cash items		2,283	2,291	1,140	1,172	
Exceptional items	10	803	849	190	1,199	
Non-cash items:						
FRS 102 pension	27	1,620	1,620	1,062	1,062	
Depreciation & Amortisation	13,14	1,997	1,973	2,033	1,811	
Amortisation of negative goodwill	5, 15	(113)	(113)	(113)	(113)	
Release of capital grants	2, 5	(820)	(818)	(719)	(718)	
Deficit for the year		(1,204)	(1,220)	(1,313)	(2,069)	
Actuarial (loss)/gain in respect of pensions schemes		27	(2,576)	(2,576)	3,901	3,901
Total comprehensive (expense)/income for the year			(3,780)	(3,796)	2,588	1,832
Represented by:						
Restricted comprehensive income			-	-	-	-
Unrestricted comprehensive (expense)/income			(3,780)	(3,796)	2,588	1,832
			(3,780)	(3,796)	2,588	1,832

The Statement of Comprehensive Income & Expenditure is in respect of continuing activities.

CONSOLIDATED AND COLLEGE STATEMENTS OF CHANGES IN RESERVES

Group	Income and expenditure account £'000	Revaluation reserve £'000	Total £'000
Balance at 1 August 2017	(3,335)	7,507	4,172
Deficit from the income and expenditure account	(1,313)	-	(1,313)
Other comprehensive income	3,901	-	3,901
Total comprehensive income for the year	2,588	-	2,588
Transfers between revaluation and income and expenditure reserves	37	(37)	-
Balance at 31 July 2018	(710)	7,470	6,760
Deficit from the income and expenditure account	(1,204)	-	(1,204)
Other comprehensive expense	(2,576)	-	(2,576)
Total comprehensive expense for the year	(3,780)	-	(3,780)
Transfers between revaluation and income and expenditure reserves	542	(542)	-
Balance at 31 July 2019	(3,948)	6,928	2,980

	Income and expenditure account £'000	Revaluation reserve £'000	Total £'000
College			
Balance at 1 August 2017	(2,892)	7,507	4,615
Deficit from the income and expenditure account	(2,069)	-	(2,069)
Other comprehensive income	3,901	-	3,901
Total comprehensive income for the year	1,832	-	1,832
Transfers between revaluation and income and expenditure reserves	37	(37)	-
Balance at 31 July 2018	(1,023)	7,470	6,447
Deficit from the income and expenditure account	(1,220)	-	(1,220)
Other comprehensive expense	(2,576)	-	(2,576)
Total comprehensive expense for the year	(3,796)	-	(3,796)
Transfers between revaluation and income and expenditure reserves	542	(542)	-
Balance at 31 July 2019	(4,277)	6,928	2,651

CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY

	Notes	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Non-current assets					
Tangible Fixed assets	13	30,555	30,438	30,631	30,429
Intangible Fixed assets	14	65	65	152	152
Goodwill (net)	15	(76)	(76)	(189)	(189)
Investments	16	-	-	-	-
		30,544	30,427	30,594	30,392
Current assets					
Stocks		35	35	26	26
Trade and other receivables	17	1,416	1,315	1,680	1,499
Cash and cash equivalents	22	3,057	2,994	2,938	2,900
		4,508	4,344	4,644	4,425
Creditors - amounts falling due within one year	18	(5,564)	(5,612)	(4,270)	(4,221)
Net current (liabilities)/assets		(1,056)	(1,268)	374	204
Total assets less current liabilities		29,488	29,159	30,968	30,596
Creditors - amounts falling due after more than one year	19	(11,450)	(11,450)	(12,362)	(12,303)
Provisions					
Defined benefit obligations	21	(13,570)	(13,570)	(9,510)	(9,510)
Other provisions	21	(1,488)	(1,488)	(2,336)	(2,336)
Total net assets		2,980	2,651	6,760	6,447
Unrestricted Reserves					
Income and expenditure account		(3,948)	(4,277)	(710)	(1,023)
Revaluation reserve		6,928	6,928	7,470	7,470
Total unrestricted reserves		2,980	2,651	6,760	6,447


The Financial Statements on pages 17 to 38 were approved by the Board of Governors on 12 December 2019 and signed on its behalf by:



Paul Croke
Chairman of the Board of Governors



Simon Pirotte
Principal, CEO & Accounting Officer



Andrew Gibbs
Vice Principal - Resources

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2019 £'000	2018 £'000
Cash flow from operating activities			
Deficit for the year		(1,204)	(1,313)
Adjustment for non-cash items			
Depreciation and amortisation	13,14,15	2,082	2,033
Amortisation of negative goodwill	5, 15	(113)	(113)
Increase in stocks		(9)	-
Deferred capital grants released to income	2, 5	(822)	(337)
Decrease / (increase) in debtors	17	264	(637)
Increase in creditors due within one year	18	1,180	679
Decrease in creditors due after one year	19	(30)	(82)
Decrease in provisions	21	(954)	(167)
Pensions costs less contributions payable		1,310	1,030
Adjustment for investing or financing activities			
Investment income	6	(9)	(4)
Interest payable	11	365	94
Net cash flow from operating activities		2,060	1,183
Cash flows from investing activities			
Investment income	6	9	4
Capital grants received		472	-
Payments made to acquire fixed assets		(1,919)	(1,528)
		(1,438)	(1,524)
Cash flows from financing activities			
Interest paid	11	(85)	(94)
Repayments of amounts borrowed		(418)	(406)
		(503)	(500)
Increase/(decrease) in cash and cash equivalents in the year		119	(841)
Cash and cash equivalents at beginning of the year	22	2,938	3,779
Cash and cash equivalents at end of the year	22	3,057	2,938

NOTES TO THE ACCOUNTS

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These Financial Statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), *the College Accounts Direction for 2018 to 2019* issued by Welsh Government, and in accordance with Financial Reporting Standard 102 - *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The Financial Statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of consolidation

The consolidated Financial Statements include the College and its subsidiaries, Bridgend College Enterprises Limited, The People Business Wales Limited and Engage Business Wales Limited controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the Statement of Comprehensive Income & Expenditure from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All Financial Statements are made up to 31 July 2019.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The Group has net current liabilities of £1,056k. Within this figure is £1,444k of holiday pay accrual and deferred capital grants that will not result in any outflow of cash.

Cash flow forecasts prepared by management indicate that the College will not need to make use of its current agreed overdraft facilities.

Accordingly, the College has a reasonable expectation that it will have sufficient resources to meet its liabilities as they fall due for the foreseeable future and have therefore adopted the going concern basis in the preparation of these accounts.

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income & Expenditure. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income & Expenditure.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as the conditions are met.

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Investment income

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Agency arrangements

The College acts as an agent in the collection and payment of Access Funds. Related payments received from DFES and the subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in Note 29, except for the 3 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Access Fund applications and payments.

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payrolls. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the Statement of Comprehensive Income & Expenditure in the periods during which services are rendered by employees.

Rhondda Cynon Taff Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income & Expenditure 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 interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

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 a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the Balance Sheet.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

A full revaluation of all College land and buildings was undertaken as at 31 July 1996 on an "existing use" basis.

Land and buildings

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996 and land which was retained in transition, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment with a value of less than £500 and/or a life of less than one year is written off to the income and expenditure account in the period of acquisition.

All other equipment is capitalised at cost. Both inherited assets at valuation and assets acquired after 1 April 1993 are depreciated over their useful economic life as follows:

General Equipment	5 years
Furniture and Fittings	5 years
Motor Vehicles	4 years
Computer Equipment	4 years
Plant and Machinery	10 years

Where equipment is acquired with the aid of specific grants, it is depreciated (see Note 13) in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income over the expected useful economic life of the related equipment.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income & Expenditure.

Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. The difference between the cost of the acquisition and the values attributed to such net assets is treated as goodwill. Where the values attributable to the net assets acquired exceeds the cost of acquisition, negative goodwill arises and is recognised in the income and expenditure account in the period in which the non-monetary assets are recovered, whether through depreciation or disposal. Negative goodwill is amortised over a period of 20 years. Goodwill arising on consolidation is being amortised over a period of 8 years, previously 10 years. The decision to accelerate amortisation of goodwill was taken in 2016/17.

At the time of acquisition, the amortisation period was established based on the ability of the company to provide the College with access to contracts they would otherwise be precluded from delivering, in particular Traineeships and Prince's Trust. The policy has been reviewed on transition to FRS102; based on current and planned delivery of the contracts above the amortisation period is deemed appropriate and no amendment is necessary.

Borrowing costs

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

Non-current Assets - Intangible Fixed Assets - Software

In accordance with FRS102 software with a value of more than £500 and a useful life of greater than one year is capitalised at cost and amortised over their useful economic life of 4 years.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Income & Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

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

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

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

Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual Financial Statements.

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

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

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment

qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

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

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

Foreign currency translation

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

Taxation

The 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 sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

Provisions are recognised when:

- the 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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax

discount rate. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income & Expenditure in the period it arises.

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

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in the Notes to the Financial Statements.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these Financial Statements, management have made the following judgements:

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

Other key sources of estimation uncertainty

- Tangible fixed assets

Tangible fixed assets, other than investment properties, 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 27, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. Funding body grants	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Department for Education and Skills (DfES)	18,003	18,003	15,972	15,972
Specific grants				
Releases of government capital grants	736	736	636	636
Skills Priority Programme	619	619	349	349
Creative Solutions	20	20	180	180
Learners with Learning Difficulties	324	324	324	324
Total	19,702	19,702	17,461	17,461

3. Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Apprenticeship fees and contracts	3,509	3,239	3,173	2,822
Fees for FE loan supported courses	534	534	409	409
Fees for HE loan supported courses	3,447	3,447	4,125	4,125
Total tuition fees	7,490	7,220	7,707	7,356
Education contracts	349	333	254	231
Total	7,839	7,553	7,961	7,587

4. Other grants and contracts	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	92	92	61	61
European Commission	65	65	71	71
Total	157	157	132	132

5. Other income	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	2,238	2,238	2,059	2,059
Other income generating activities	1,026	814	1,052	821
Other grant income	79	79	18	18
Non-government capital grants released	84	82	83	82
Miscellaneous income	446	446	369	369
Amortisation of negative goodwill (note 15)	113	113	113	113
Total	3,986	3,772	3,694	3,462

6. Investment income	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	9	19	4	19
Total	9	19	4	19

7. Donations and endowments	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Restricted donations	-	-	-	-
Unrestricted donations	1	1	-	-
Total	1	1	-	-

8. Staff costs

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

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching staff	250	250	241	241
Non-teaching staff	260	248	261	249
Total	510	498	502	490

Staff costs for the above persons	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	15,332	15,149	14,520	14,196
Social security costs	1,368	1,356	1,273	1,251
Other pension costs	3,848	3,842	3,004	2,993
Payroll sub total	20,548	20,347	18,797	18,440
Contracted out staffing services	451	451	424	424
Restructuring costs	632	632	190	190
Total staff costs	21,631	21,430	19,411	19,054

Staff are employed on national pay scales which can be accessed on the Colleges Wales website www.collegeswales.ac.uk.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management Team which comprises the Principal, Deputy Principal, Vice Principal, Assistant Principal, Executive Director and the Directors. Staff costs include compensation paid to key management personnel for loss of office. A committee of Governors determines the remuneration for senior post holders,

including the Principal, Deputy Principal and Vice Principals, this is done in line with benchmarking information and meetings are minuted.

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

	2019 College No.	2018 College No.
The number of key management personnel including the Accounting Officer was:	11	13

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

	Key management personnel	
	2019 College No.	2018 College No.
£0 to £10,000 p.a.	-	1
£10,001 to £20,000 p.a.	-	-
£20,001 to £30,000 p.a.	-	1
£30,001 to £40,000 p.a.	2	1
£40,001 to £50,000 p.a.	-	-
£50,001 to £60,000 p.a.	3	6
£60,001 to £70,000 p.a.	2	-
£70,001 to £80,000 p.a.	1	-
£80,001 to £90,000 p.a.	2	3
£90,001 to £100,000 p.a.	-	-
£100,001 to £110,000 p.a.	-	-
£110,001 to £120,000 p.a.	-	-
£120,001 to £130,000 p.a.	-	-
£130,001 to £140,000 p.a.	1	1
	11	13

Key management personnel emoluments are made up as follows:

	2019 College £'000	2018 College £'000
Salaries - gross of salary sacrifice and waived emoluments	681	692
Employers National Insurance	86	90
Pension contributions	110	112
Total key management personnel compensation	877	894

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

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

	2019 College £'000	2018 College £'000
Salaries	140	136
Pension contributions	23	22
Total emoluments	163	158

There was compensation for loss of office paid to former higher paid employees totalling £62k in 2018/19 (2017/18: £76k).

9. Other operating expenses	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	3,720	3,659	3,367	3,303
Non-teaching costs	3,343	3,140	3,640	3,472
Premises costs	1,671	1,642	1,678	1,647
Total	8,734	8,441	8,685	8,422
Other operating expenses include:	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Auditors' remuneration:				
Financial Statements audit	36	26	35	25
Internal audit	25	25	21	21
Other services provided by the Financial Statements auditors*	11	11	7	7
Hire of assets under operating leases	232	232	411	411

* includes £11,000 in respect of the Teachers' Pension and Welsh Government funding audit (2017/18: £7,000)

Internal Audit services are provided by RSM Risk Assurance Services LLP.

10. Exceptional items	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
College investment in The People Business Wales Limited	-	-	-	362
Intercompany debt see note 17	-	46	-	647
Redundancy costs	632	632	190	190
The People Business Wales Limited closure	171	171	-	-
Total	803	849	190	1,199

In September 2019, The People Business Wales Limited ceased trading. As a result of this, all future income and expenditure, up to the point of closure, has been reflected in the College accounts as a charge of £171,000. Additional intercompany debt was incurred within The People Business Wales Limited during 2018/19. A bad debt provision which reduces trade receivables has been included within these financial statements for an additional £46,000 in 2018/19.

A college wide restructuring exercise was completed in 2018/19 at a cost of £632,000.

In 2017/18 the decision was taken to impair the investment value of the College's interest in The People Business Wales Limited due to an ongoing re-tender process for Welsh Government Working Wales contracts. The College purchased the company in 2012 at a cost of £362,000 and this was impaired fully. A review was also carried out in respect of the outstanding intercompany balances existing between the College and its subsidiaries Engage Business Wales Limited and The People Business Wales Limited. A bad debt provision which reduces trade receivables has been included within these financial statements for the full write off of the outstanding balances totalling £647,000 (see note 17).

11. Interest and other finance costs

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:	85	83	94	92
Net interest on defined pension liability (Note 27)	280	280	342	342
Total	365	363	436	434

12. Taxation

	Year ended 31 July 2019	Year ended 31 July 2018
	Group	Group
	£'000	£'000
United Kingdom corporation tax	-	-

The members do not believe that the college was liable for any corporation tax arising out of its activities during either year.

13. Tangible fixed assets (Group)

	Land and buildings £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 August 2018	30,950	4,520	57	35,527
Additions	123	884	909	1,916
Disposals	(1)	-	-	(1)
Transfer	198	(141)	(57)	-
At 31 July 2019	31,270	5,263	909	37,442
Accumulated depreciation				
At 1 August 2018	2,936	1,960	-	4,896
Charge for the year	1,045	861	-	1,906
Impairment in the year	81	4	-	85
At 31 July 2019	4,062	2,825	-	6,887
Net book value at 31 July 2019	27,208	2,438	909	30,555
Net book value at 31 July 2018	28,014	2,560	57	30,631

Land and buildings were valued in 1996 at depreciated replacement cost by a firm of independent chartered surveyors.

Land at the Pencoed Campus, Brigam & Fronwen Farms, and the campus at Cowbridge Road were revalued as part of the transition to FRS102.

The Group acquired fixed assets of £154,000 on the acquisition of The People Business: Wales Limited in November 2013. At 1 August 2014 Savills (UK) Limited valued certain land owned by the College.

The aggregate Fair Value of the properties, as at 1st August 2014, was:

- Property Valuation Land at Pencoed College, Pencoed, Bridgend, CF35 5LG - £3,600,000
- Land at Bridgend College, Cowbridge Road, Bridgend, CF31 3DF - £3,000,000
- Land at Brigam & Fronwen Farms, Llanharry, CF72 9JX - £570,000

As described in the accounting policies the carrying values of freehold land at 1 August 2014 has been taken as deemed cost.

13. Tangible fixed assets (College)

	Land and buildings £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 August 2018	30,696	4,376	57	35,129
Additions	123	859	909	1,891
Transfer	198	(141)	(57)	-
At 31 July 2019	31,017	5,094	909	37,020
Accumulated depreciation				
At 1 August 2018	2,871	1,829	-	4,700
Charge for the year	1,028	854	-	1,882
At 31 July 2019	3,899	2,683	-	6,582
Net book value at 31 July 2019	27,118	2,411	909	30,438
Net book value at 31 July 2018	27,825	2,547	57	30,429

Freehold land and buildings includes non-depreciated land of £7.20 million (2017/18: £7.20 million).

Land and buildings with a net book value of £3.180 million (2017/18: £3.722 million) have been inherited from Mid Glamorgan County Council and £5.273 million upon the acquisition of Pencoed College (2017/18: £5.364 million). Should these assets be sold, the College would either have to surrender the sale proceeds to DfES or use them in accordance with the financial memorandum with DfES.

Tangible fixed assets pledged as security for the College's bank loans include:

- Buildings at Cowbridge Road campus, Bridgend
- Land (part of) at Fronwen and Llwynbarcud farms, Llanharan
- Bridgend College Pencoed Campus
- Land at Brigam farm, Llanharry
- Land parcels south of Penybont Road, Pencoed

The net book value of fixed assets determined according to the historical cost convention is £22.968 million (2017/18: £22.959 million).

14. Intangible fixed assets (Group and College)

	Software £'000
Cost or valuation	
At 1 August 2018	423
Additions	4
At 31 July 2019	427
Accumulated depreciation	
At 1 August 2018	271
Charge for the year	91
At 31 July 2019	362
Net book value at 31 July 2019	65
Net book value at 31 July 2018	152

15. Goodwill (Group)	Goodwill 2019 £'000	Negative Goodwill 2019 £'000	Total 2019 £'000	Net Goodwill 2018 £'000
Cost or valuation				
At 1 August 2018	340	(2,363)	(2,023)	(2,023)
At 31 July 2019	340	(2,363)	(2,023)	(2,023)
Accumulated amortisation				
At 1 August 2018	340	(2,174)	(1,834)	(1,880)
Charge for the year	-	(113)	(113)	46
At 31 July 2019	340	(2,287)	(1,947)	(1,834)
Net book value at 31 July 2019	-	(76)	(76)	(189)
Net book value at 31 July 2018	-	(189)	(189)	(143)

16. Investments	31 July 2019 College £'000	31 July 2018 College £'000
Investments in subsidiary companies	-	-
Total	-	-

The College owns 100 per cent of the issued shares of Bridgend College Enterprises Limited. The principal business activity of the company was the provision of education and training services. On 1 August 2009, the trade assets and liabilities of the company were transferred to the College, following which the company ceased to trade.

The College acquired 100 per cent of the shares in The People Business Wales Limited at a cost of £362,000 on 31 October 2012. This investment has been impaired in the prior financial year. The principal activity of the company was the provision of training services and employment opportunities for learners in and around Barry, South Wales. The People Business Wales Limited ceased trading in September 2019.

The College set up Engage Business Wales Limited which is the business focused and commercial element of Bridgend College on 1 September 2015. The principal activity of the company is to provide bespoke work based training solutions for businesses and a wide variety of courses for individuals looking to update their skills.

These Financial Statements include the results for both trading subsidiaries for the year ending 31 July 2019.

17. Trade and other receivables	31 July 2019 Group £'000		31 July 2018 Group £'000	
		College £'000		College £'000
Amounts falling due within one year				
Trade receivables	579	488	847	731
Prepayments and accrued income	837	827	833	768
Total	1,416	1,315	1,680	1,499

18. Creditors: amounts falling due within one year	31 July		31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans	472	413	418	403
Trade payables	1,019	918	149	135
Amounts owed to group undertakings:				
Subsidiary undertakings	-	288	-	84
Other taxation and social security	21	13	29	7
Accruals and deferred income	2,607	2,561	2,336	2,282
Accrued holiday pay	651	651	604	603
Deferred income - government capital grants	793	768	734	707
Total	5,563	5,612	4,270	4,221

19. Creditors: amounts falling due after more than one year	31 July		31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans	1,634	1,634	2,106	2,047
Deferred income - government capital grants	9,769	9,769	10,179	10,179
Other Creditors	47	47	77	77
Total	11,450	11,450	12,362	12,303

20. Maturity of debt

Bank loans and overdrafts	31 July		31 July	
	Group	College	Group	College
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	413	413	403	403
Between one and two years	423	423	413	413
Between two and five years	1,211	1,211	1,334	1,334
In five years or more	-	-	300	300
Total	2,047	2,047	2,450	2,450

As at 31 July 2019, the College had three loans with a capital balance outstanding of £2.05 million (2017/18: £2.45 million) secured by a charge on blocks E, F, G and J located at Bridgend College, and land and buildings comprising Pencoed College and Land at Fronwen.

Loan 1 with a balance of £0.60 million at 31 July 2019 is repayable in quarterly instalments over 15 years from July 2008. Interest is linked to LIBOR plus 0.4625%.

Loan 2 with a balance of £0.28 million at 31 July 2019 is repayable in quarterly instalments over 13 years from August 2011. Interest is fixed at 2.5%.

In August 2009, a loan facility for £3.1 million was agreed with the College's Bankers. £2.4 million of the loan (Loan 3) which was drawn down in August 2011 is repayable in quarterly instalments over 14 years and has a balance of £1.16 million at 31 July 2019. Interest is fixed at 5.1%.

21. Provisions (Group)

	Defined benefit obligation £'000	Restructuring £'000	Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2018	9,510	98	1,300	938	11,846
Expenditure in the period	-	(98)	(101)	(88)	(287)
Additions/(releases) in period	1,590	-	30	(697)	923
Actuarial loss	2,470	-	106	-	2,576
At 31 July 2019	13,570	-	1,335	153	15,058

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 27.

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

The principal assumptions for this calculation are:

	2019	2018
Price inflation	2.2%	3.3%
Discount Rate	2.0%	2.4%

Other provisions include the pay award subject to negotiation and the College 3G Pitch.

22. Cash and cash equivalents (Group)

	At 01 August 2018 £'000	Cash flows £'000	Other changes £'000	At 31 July 2019 £'000
Cash and cash equivalents	2,938	119	-	3,057
Total	2,938	119	-	3,057

23. Capital and other commitments

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2018 Group £'000
Commitments contracted	273	512

24. Lease obligations

The College had minimum lease payments under non-cancellable operating leases as follows:

	31 July 2019 Group £'000	31 July 2018 Group £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	124	203
Later than one year and not later than five years	198	799
Later than five years	6,725	5,694
	7,047	6,696
Other		
Not later than one year	108	181
Later than one year and not later than five years	18	289
Later than five years	-	-
	126	470
Total lease payments due	7,173	7,166

25. Contingent liabilities

There are no contingent liabilities to report at the end of the reporting period.

26. Events after the reporting period

The People Business Wales ceased trading in September 2019.

27. Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Total pension cost for the year	2019 £000	2018 £000
Teachers' Pension Scheme: contributions paid	1,275	1,229
Local Government Pension Scheme:		
Contributions paid	1,230	1,050
FRS 102 (28) charge	1,340	720
Charge to the Statement of Comprehensive Income & Expenditure	2,570	1,770
Total pension cost for year within staff costs	3,845	2,999

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location: <https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,275k (2016/17: £1,229k).

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Rhondda Cynon Taff Borough Council Local Authority. The total contributions made for the year ended 31 July 2019 were £1,640,000, of which employer's contributions totalled £1,230,000 and employees' contributions totalled £410,000. The agreed contribution rates for future years are 14.8% (1 April 2017 to 31 March 2018), 15.8% (1 April 2018 to 31 March 2019) and 16.9% (1 April 2019 to 31 March 2020) for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.45%	3.35%
Future pensions increases	2.20%	2.10%
Discount rate for scheme liabilities	2.20%	2.80%
Inflation assumption (CPI)	2.20%	2.10%
Commutation of pensions to lump sums	50.00%	50.00%

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

	At 31 July 2019 Years	At 31 July 2018 Years
Members aged 65		
Males	21.90	22.90
Females	23.80	25.00
Members aged 45		
Males	23.60	25.10
Females	25.70	27.30

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

	Fair Value	
	31 July 2019 £'000	31 July 2018 £'000
Equity instruments	26,984	26,588
Debt instruments	9,458	6,504
Property	3,020	1,868
Cash	278	970
Total fair value of plan assets	39,740	35,930

Actual return on plan assets	3,230	4,030
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The amount included in the Balance Sheet in respect of the defined benefit pension plan is as follows:

	2019 £'000	2018 £'000
Fair value of plan assets	39,740	35,930
Present value of plan liabilities	(53,310)	(45,440)
Net pensions liability (Note 21)	(13,570)	(9,510)

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	1,930	1,770
Past service cost	640	-
Total	2,570	1,770

During the year two court rulings impacted the majority of defined benefit pension schemes in the UK. They related to the way schemes have been constituted and in particular the equalisation of benefits between men and women and also between age ranges. The actuary has included a past service cost allowance of £640k to account for the additional liability in the scheme that is expected to arise from these rulings.

	2019 £'000	2018 £'000
Amounts included in interest and other finance costs		
Net interest	(250)	(310)
Enhanced pension provision	(30)	(32)
Total	(280)	(342)
	2019 £'000	2018 £'000
Amount recognised in other comprehensive income		
Return on pension plan assets	1,010	820
Experience losses arising on defined benefit obligations	1,210	2,390
Changes in assumptions underlying the present value of plan liabilities	(4,690)	670
Enhanced pensions provision	(106)	21
Amount recognised in other comprehensive income	(2,576)	3,901
Movement in net defined benefit liability during year	2019 £'000	2018 £'000
Net defined benefit liability in scheme at 1 August	(9,510)	(12,360)
Movement in year:		
Current service cost	(1,930)	(1,770)
Employer contributions	1,230	1,050
Past service cost	(640)	-
Net interest on the defined liability	(250)	(310)
Actuarial (loss)/gain	(2,470)	3,880
Net defined benefit liability at 31 July	(13,570)	(9,510)
Asset and Liability Reconciliation	2019 £'000	2018 £'000
Changes in present value of defined benefit obligations		
Defined benefit obligations at start of period	45,440	43,530
Current service cost	1,930	1,770
Interest cost	1,260	1,130
Contributions by Scheme participants	410	360
Changes in financial assumptions	4,690	(670)
Estimated benefits paid	(1,060)	(680)
Past service cost	640	-
Defined benefit obligations at end of period	53,310	45,440
Changes in fair value of plan assets		
Fair value of plan assets at start of period	35,930	31,170
Remeasurement gain on plan assets	2,220	3,210
Interest on plan assets	1,010	820
Employer contributions	1,230	1,050
Contributions by Scheme participants	410	360
Estimated benefits paid	(1,060)	(680)
Fair value of plan assets at end of period	39,740	35,930

28. Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £1,353; 5 governors (2017/18: £1,303; 5 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2017/18: None).

29. Amounts disbursed as agent	2019 £'000	2018 £'000
Learner support funds		
Balance unspent as at 1st August	13	12
Funding body grants - bursary support	339	339
	352	351
Disbursed to students	(342)	(338)
Balance unspent as at 31 July, included in creditors (Note 18, 19)	10	13

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