



CARDIFF AND VALE COLLEGE GROUP

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

CARDIFF AND VALE COLLEGE GROUP

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
REPORT OF THE GOVERNING BODY

The Governing Body present their annual report and the financial statements of Cardiff and Vale College for the year ended 31 July 2013.

Legal status

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

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

Vision

Inspirational. Inclusive. Influential.

Mission

Transforming lives by unlocking potential and developing skills

Core Values

Respect for all, encompassing trust, honesty, integrity, courtesy, sustainability, equality and diversity, embracing a Restorative Approach

Creating an environment where **Innovation**, entrepreneurship and creativity can flourish and make a real impact on the decisions we make

Creating a culture of **Excellence** and achievement which has a real impact on learner outcomes and progression by unlocking potential

Developing a culture of **Collaboration** to maximise the positive impact of the College on the community

Priorities

The College has established three clear priorities:

- Provide outstanding quality and performance management (**Quality**)
- Provide excellent resource management (**Efficiency**)
- To be at the heart of education led regeneration (**Growth**)

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Strategic Direction

The College has established a rolling three year development plan that sets out its strategic aims and objectives:

Raising standards and achievement

Deliver improvements in standards and performance, in particular learners' literacy and numeracy levels

Learner progression and support

Maximise progression routes to Level 3 qualifications and higher level educations, training and employment and provide necessary support to enable students to complete their studies

Employer engagement, enterprise and Innovation

Effective engagement with employers at regional level and developing an enterprise culture which develops innovative learners and staff

Developing Welsh-medium provision

Continue to increase the availability and take up of Welsh-medium/bilingual learning in support of the Welsh-medium Education Strategy

Growth and diversification

Expand provision to meet local priorities, community cohesion and develop new markets

Efficiency

Deliver efficiency savings to sustain financial stability and move funds to frontline services and provision

Partnership

Collaborate with partners to provide a coherent, comprehensive and flexible learning portfolio for the region

The Governing Body monitored the performance of the College against this plan which has now been reviewed and updated and established as a three year corporate development plan.

Learner numbers

In 2012/13 the College provided opportunities for over 20,500 learners including:

- 5,969 learners on full-time courses
- 639 learners on higher education courses
- 932 school pupils aged 14-19 on part time learning pathways
- 1,655 apprenticeship programmes
- 7,124 adults studying on a part time basis
- 4,221 learners studying through franchise arrangements in the community

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2012/13 – the College performance

During the year the focus of the College was to significantly improve learner successful completion.

This was achieved – with the overall successful completion for College students (excluding franchised provision) increasing by 3% from 81% to 84%. In two years the successful completion figure has increased by 7% from the combined 77% figure of the two legacy Colleges and is now 2% higher than the published National Comparator.

In addition, following the disappointing Estyn inspection in November 2012, significant work was undertaken across the College-led Work Based Learning consortium that has resulted in the projected success rate for Apprenticeships rising by 4% over the year to 88% which is also above the National Comparator.

During the year, following discussion and agreement with Cardiff Council, the Council staff who delivered the Adult Basic Skills and ESOL Adult Community Learning (ACL) provision, under a franchise agreement with the College, were transferred to the College on 1 January 2013. In addition, there was the development of formal accreditation of “bite sized” qualifications to better meet the needs of these learners. This has resulted in both an increase in enrolments (45%) but more importantly the learner success rate increased from 45% to 73.5%. This remains below the National Comparator of 82% but is a sound start to providing improved outcomes for this important cohort of students.

The College also offers a wide range of Higher Education courses which again delivered excellent outcomes with 95.8% of learners achieving an award compared to 82% nationally.

The above results demonstrate the success of the focus on improving learner outcomes. There do though remain areas of activity that require further development. Success rates in essential skills, foundation apprenticeships and pathways to apprenticeship programmes all need to improve further to exceed National Comparators.

We have targeted a further 2% improvement in learner successful completion in 2013/14 to 86%.

Learner achievements

In addition to their academic performance the College is delighted to report the following individual and group achievements of our learners:

- Seven students from from the ICAT aerospace distance learning degree course graduated – six of them with First Class honours !
- Nearly 70% of our students who applied for a University course were successful, compared to a national average of 66%.
- Shanice Bevan managed to create 320,000 hits to her website created for her Music Technology project.
- Our Graphic Design students won a UK wide prize for a Teenage Non-Smoking Campaign.
- Former student Lucy Cunningham made it to the finals of the national Munch Time children's story writing competition.
- Student Aimee Cattle won this year's Cowbridge Art Group's annual student prize for her work highlighting domestic abuse.
- Frida Tveit, our student of the year, gained a place at Cambridge.
- Five learners with mild to moderate learning difficulties on our community based “MAC on-track” programme successfully passed ESW Communications and ICT at Level 2 this year. As part of our passport to progression programme, three will progress to Level 3 IT next year and the other two are progressing onto other courses within the College.

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Curriculum and other developments and achievements

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

- We are the Founder College for the National Skills Academy (NSA) for Creative & Culture for Wales and join a prestigious group of 20 colleges across the UK as part of the UK National Skills Academy for Creative & Culture.
- CAVC is the only Welsh College to be a member of the Gazelle Group of Colleges. AS one of these Colleges we are developing innovative new learning models and new partnerships with business to deliver an improved outcome for students, their communities and the economy. During the year our students and staff have been able to benefit from the following activities:
 - The Start-up Britain Bus visited the Trowbridge site. Organised by the Gazelle Group, the bus is filled with business advisers and entrepreneurs and gives young people help and advice on setting up their own businesses.
 - Attended the Gazelle Student Champions 'away day'.
 - Attended a conference in London where they discussed barriers to employment facing young people with policymakers and Ministers. The conference also examined the concept of the learning company.
 - Participated as teams in the "Market Maker" competition.
 - Boston University's Senior Leadership Programme.
- We were shortlisted for a Beacon Award for its work with local schools recognising our innovative and inclusive approaches to 14-19-year-olds.
- We have developed partnership agreements with both Cardiff Blues and Cardiff City FC. In addition to sponsorship arrangements we also provide English language training for a number of Cardiff City's international stars as well as their apprenticeship programme.
- CAVC became the only College in Wales to offer Foundation Degree in Healthcare Play Specialism in partnership with the University of Westminster.
- Our work with our communities as part of our social engagement programme has developed to include a number of projects including:
 - Working closely with the Street life and Safer Wales Project the College has developed courses for sex workers to show them they can be accepted in College and use education to build a better future.
 - Connect 2 CAVC is a unique approach to re-engaging with young people and is the cornerstone of the CAVC Families First contribution and is held at Butetown Pavilion.
 - Working with Media Academy Cardiff (MAC) to engage young people post 16 who were either homeless or had dependency issues.
 - Working with the Ministry of Life (MOL), an organisation that undertakes youth work, predominantly in the Roath, Adamsdown and Splott areas. They have particularly good links with the Czech Roma community, a group who are often classified as 'hardest to reach.'
 - We are taking part in a scheme designed to engage NEETS organised by Vibe Creative. The New Journey scheme will work in the community across the Vale of Glamorgan.

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Partnerships

During the year the College has sought to further develop a range of effective partnerships with external bodies including:

- progressing the formal strategic alliance with St David's College;
- completing the transfer of the formerly franchised ESOL and Adult Basic Skills provision from Cardiff Council to the College;
- developing new and extended HE provision with the University of South Wales and Cardiff Metropolitan University;
- seconding a senior manager to work with the West Cardiff school federation at Michaelston and Glyn Derw to develop an effective post 16 offer for those communities;
- exploring opportunities for working with Cardiff Council with their proposed development of a new High School in East Cardiff, this has included membership of the East Cardiff Education Improvement Partnership (EIP) steering group and the Principal and Vice Principal becoming members of the temporary governing body of the new school;
- working closely with Cardiff Council, the Vale of Glamorgan Council and the WEA to respond to the Estyn reports on Adult Community Learning in both counties; and
- further developing the Quality Skills Alliance as an effective work based learning consortium.

Principle risks and uncertainties

As part of the strategic planning process the Executive Team undertakes a comprehensive review of the risks that might impact on the achievement of the College's Strategic Aims and Objectives. In addition, each member of the Senior Leadership Team develops a risk register for their own department / area.

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

A risk register is developed from these reviews that records the key strategic risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The Executive Team and Senior Leadership Team consider risk management issues as part of each meeting and undertake a formal review of the risk register every term that is reported to the Audit Committee.

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

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Principle risks and uncertainties

Reductions in Government Funding

Between July and October 2013 the Welsh Government announced reductions in the College's funding of over £1m – a 3.57% cash reduction – over 5% in real terms. In addition, the funding allocation reduced the amount available for part time learning by one third, although some ring fenced funding will in part replace that, albeit focused only on employed learners.

At the same time the College is obliged under the terms of its funding agreement to implement pay awards and has contractual spine point and progression increments to pay. These will add another £1m to the College's pay bill between 2012-13 and 2014-15.

Comparing last year, 2012-13 and next year, 2014-15, the College will therefore have over £2m less to fund its activities, and that is without accounting for the impact of inflationary cost pressures on non-pay costs such as utilities, teaching materials and examination fees, many of which have increased well in excess of published inflation rates.

At the time of preparing these accounts the College has commenced a review of its management structure as the first stage of identifying appropriate cost reductions to enable it to continue to deliver its mission and strategic aims whilst protecting as much provision and as many jobs as possible.

The College has established three priorities to mitigate the risk of reductions in Government funding:

- **Quality** – by ensuring our provision is of the highest quality the College will continue to attract learners and funding;
- **Growth** – by identifying opportunities for growing the business through income generation or closer collaboration with partners, the College will be able to support core activity and hence protect provision and protect jobs; and
- **Efficiency** – by identifying innovation in processes and procedures and doing more for less the College will be able to ensure scarce resources are directed towards learner outcomes.

In the light of the size of the funding reductions we are facing the strategic focus on growth will be crucial to the level of protection we can provide for both provision and jobs.

Harmonisation of staff contracts

The Joint Trade Unions and Colleges Wales have been in discussions for over three years regarding a common contract for staff working in the FE sector in Wales. Because of this the Joint Trade Unions have been unwilling to enter into negotiations with the College to create a single harmonised set of terms and conditions for all staff in the College. This has led to the current situation where staff with identical job descriptions, are working to different terms and conditions derived via their TUPE protection from their respective legacy college, or Cardiff Council for the staff who have transferred from the Council who deliver the Adult Basic Skills and ESOL provision.

This situation has existed now for over two years and cannot be allowed to continue for much longer. The College has already initiated a job evaluation exercise to enable it to support any new contract with a single pay scale.

At the time of preparing these accounts we understand an agreement has almost been reached, however, it will be subject to balloting by the Union membership and even then, an implementation agreement may allow for different contracts to remain in place until September 2016.

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The Group's resources

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

The College estate

The College operates on 13 sites, eight of which are leased and owns another site that is currently disused. The net book value of the freehold land and buildings is £18.8m.

Financial

At 31 July 2013, the Group had £32.1 million of net assets (excluding £13.9 million pension liability)

People

At 31 July 2013, the Group employed 825 people (expressed as full time equivalents), of whom 558 (70%) work directly within teaching departments.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and developing external relationships.

Financial strategy

The Governing Body approved the financial strategy in July 2013 that set out the College's financial objectives to generate operational surpluses and net increases in cash to finance:

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

Reserves

As part of this financial strategy the College has deliberately built up its reserves to both fund its capital development programme and provide a financial reserve.

At 31 July 2013 of the College's total income and expenditure reserve of £16.7m, only £9.7m is "cash backed" (as identified by the Welsh Government) and could be used by the College. Of this amount, £5m has been committed by the Governing Body for the Canal Parade capital development and £3.9m is set aside to meet the Welsh Government's requirement for a financial reserve equivalent to one month's expenditure. The College therefore has £0.8m of available cash backed reserves.

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Financial results

These financial statements reflect the results for the year ended 31 July 2013.

The accounts for the group show a surplus for the year of £99,000 (2011/12 – £42,000).

The surplus for the year is shown after the inclusion of an exceptional item of £140,000. This relates to the FRS 17 past service cost ascribed to the staff transferred to the College on 1 January 2013 who were members of the Local Government Pension Scheme.

If that cost is excluded the College's underlying operating result was a surplus of £239,000.

The Group's accounts also include the results of the wholly owned subsidiary company ICAT Limited "ICAT". The principal activity of ICAT is the supply of educational consultancy and short courses and the production, sale and licensing of aviation training material. Any surplus generated by ICAT is transferred to the College by Gift Aid. In 2012/13 the surplus generated was £132,497 (2011/12 - £122,604).

The group's results are also significantly affected by the volatility arising from the accounting standard FRS 17 – Retirement Benefits. This accounting standard requires the College to account for the cost of its commitment to the Local Government Pension Scheme (LGPS) in respect of its business support staff. Accordingly, the charges to the income and expenditure account and the liabilities shown on the balance sheet are impacted by changes in actuarial assumptions and market movements in respect of the assets held by the pension scheme – both of which are outside the control of the College.

The effect of FRS 17 this year has been to reduce the operating surplus by £710,000 (the impact in 2011/12 was to reduce the operating surplus by £350,000) and to reduce the College's provision for its share of the LGPS deficit on the balance sheet by £510,000 to a total of £3.9m at 31 July 2013.

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

Cash flows and liquidity

Net Group operating cash inflows of £2.7m (2011/12 - £1.4m) continue to reflect the focus of the financial strategy to generate cash inflows to provide a financial reserve, enable on-going investment in capital and to provide match funding for the estate strategy. As the Welsh Government do not provide capital grants for IT and equipment expenditure the College had to invest £1.7m of its own funds in fixed asset expenditure.

The Group's net current assets have reduced to £11m (2011/12 - £11.3m), although this was due primarily to accounting for the July progress payment for the Canal Parade development of over £1m in advance of drawing down grant or loan funding.

The College has a secured loan that was taken out in 2007 to refinance an original loan for the Learning Resource Centre and match fund the WAG capital grant for the 2006/07 refurbishments of the Hair and Beauty, Care and Art departments at its Colcot Road site. The cost of servicing this debt was comfortably exceeded by operating cash flow during the year and the amount outstanding at the year end was £602,000.

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Treasury management

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

The College has a treasury management policy set out in its financial regulations with regular reports made to the Finance and Estate committee in place.

All borrowing requires the approval of the Governing Body and must comply with the requirements of the Financial Memorandum with WG.

Capital developments

Whilst the College estate provides a number of state of the art learning experiences for some of our learners, the majority of the estate consists of 1960s buildings that are no longer consistent with the delivery of a first class curriculum for the 21st century and, in addition, carry a backlog maintenance assessment of some £13m required to maintain the existing accommodation with no substantial improvement for learners.

To address these issues, during the year the College took the first major step towards delivering its ambitious estate strategy that requires an investment of some £98m over the next 10 years.

In March 2013 the College signed a £40.6m development agreement with Rightacres to build its new Cardiff City Centre Campus at Canal Parade. At this point the College purchased the land for £2.76m. Planning permission was granted in July 2013 and construction commenced on site in August 2013. Practical completion is scheduled for April 2015 and the campus will open to new students in September 2015. The total cost of the development is estimated to be £44m and is being funded by a £20m grant from the Welsh Government (of which £3m was received during the year) a £20m loan from Santander (the loan agreement was signed on 9 August 2013) and the balance to be a contribution from the College's reserves.

In addition to the above, during the year the College:

- took out a lease on 1 – 2 Coopers Yard, Cardiff to provide office accommodation for HR and Business Development teams;
- took out a lease on accommodation at the House of Sport in Leckwith to provide state of the art accommodation for its sports provision; and
- began negotiations with Cardiff Council for a short term lease of the Friary building in Cardiff to provide accommodation for the Adult Basic Skills and ESOL provision.

The College has also been working with Cardiff Council on exploring options for the location of the new Eastern High School. Subsequent to the year end the Council decided to proceed to public consultation on the option for the site of the new school, with the two remaining options being the College's Trowbridge Road site and the former site of Llanrummny High School. It is understood the Council cabinet will make a final decision early in January 2014.

In total the Group invested some £5.9m in capital projects and equipment in 2012/13 of which £1.7m was generated from the Group's own reserves.

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Payment performance

The College aims to pay all creditors, not in dispute, within thirty days of receipt of authorised invoices. The calculation prescribed by the Accounts Direction is based on the year end creditor figure and at 31 July 2013 was 51 days. During the current financial year no interest charges were paid under The Late Payment of Commercial Debts (Interest) Act.

Welsh Language and welsh medium / bilingual provision

Cardiff and Vale College/ Coleg Caerdydd a'r Fro has adopted the principle that in the conduct of public business in Wales, it will treat the English and Welsh languages on a basis of equality. The College's Welsh Language Scheme (that is published on the College website) sets out how the College will give effect to that principle when providing services to the public in Wales.

The Scheme concentrates on developing three key elements which are set out in the Collegau Cymru National Bilingual Strategy for Further Education, these being:

1. The development of a Welsh ethos at the College;
2. The development of bilingual communication skills to augment English medium provision; and
3. The development of Welsh medium or bilingual provision for post-14 learners.

Equality and Diversity

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

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

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

The College willingly accepts its key responsibilities under the Equality Act 2010 to:

- Eliminate discrimination, harassment, discrimination and other unlawful conduct;
- Advance equality of opportunity by removing or minimising disadvantages, taking steps to meet needs, and encouraging participation in public life where participation is disproportionately low; and
- Foster good relations by tackling prejudice and promoting understanding.

The College's Equality and Diversity Policy is published on the College's Internet site and its Strategic Equality Action Plan on its external website.

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Access

A great deal of work has been undertaken across the College to ensure it is accessible for disabled people. Tactile surfaces have been added to external pathways. Visual panels have been made available indoors. Alterations to toilet cubicle doors have been made at all campuses. Lever arm taps have been fitted in all toilets. Additional DDA compliant signing has been added. Accessible toilet alarms have been added to the network and the number of hoists increased. Additional networked fire door retainers have been added. A refuge intercom system has been added to the Trowbridge campus. Nosings have been added to internal steps/stairs. A feasibility study of top-floor evacuation in A block was completed and lifts were fire-proofed.

The improvements have made all parts of the College accessible (apart from one part of one block). Adjustments to College activities are made to ensure that this does not impact on any student, staff member or visitor. All Estates policies are impact assessed.

Employment of disabled persons

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where existing employees become disabled, every effort is made to ensure that employment with the College is continued. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by managers and governors.

Sustainability

The College has signed up to the Welsh Government's Sustainability Charter to demonstrate our commitment to promoting and delivering wellbeing through our decisions and operations by:

- ensuring that all decisions promote long term, sustainable wellbeing of people (including employees) and communities, and do not promote short term fixes that will continue to lock us into unsustainable patterns and lifestyles;
- ensuring that all decisions take full account of, and where possible fully integrate, the various social, economic and environmental outcomes that are being sought; and
- engaging with, and involving, the people and communities that will be affected by these decisions, so that working in partnership for sustainable development becomes part and parcel of the way we work.

This is consistent with the obligations on the College to embed Education for Sustainable Development and Global Citizenship (ESDGC) within the curriculum and the College's activities.

As a result of this the College has a Strategic Objective to:

Establish CAVC as a Sustainable College, meeting and exceeding the Sustainability Charter expectations

The College has an environmental policy and energy and water management plan and is currently working towards securing Green Dragon Level 4 accreditation having inherited separate Level 3 and Level 4 accreditation previously awarded to the legacy Colleges.

The College has a cross college sustainability group chaired by a Vice Principal and has appointed a Teaching and Learning Leader to support the mainstreaming of ESDGC within the curriculum.

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Future developments

The College is working on a range of priorities both internally and externally that will shape the future direction of the College, its range of services for learners, employers and communities and its relationships with Partners and stakeholders including:

- the Strategic Alliance between the College and St David's Roman Catholic College;
- the 10 year Estate Development and the new City Centre Campus;
- our work with Cardiff Council to support the development of the new Eastern High School in East Cardiff and the Western Cardiff school federation to meet the needs of those communities;
- providing support for and working with Cardiff Council, the Vale of Glamorgan Council and the WEA to respond to the Estyn reports on Adult Community Learning in both counties;
- the further development of our social engagement provision;
- the expansion of our business development activities to meet the needs of employers and where appropriate utilise our expertise in conjunction with appropriate partners to provide commercial services overseas or attract international learners and businesses to the capital region;
- the embedding of the Gazelle group ethos of entrepreneurship in the College; and
- the focus given to the following key priorities:
 - Quality
 - Growth
 - Efficiency

CARDIFF AND VALE COLLEGE GROUP

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REPORT OF THE GOVERNING BODY

Members of Cardiff and Vale College Further Education Corporation

The members who served the Cardiff and Vale College Further Education Corporation for the period from 1 August 2012 to the date of approval of these accounts (unless otherwise stated) were as follows:

Member	Appointment status	Date of Appointment (A) / Resignation (R)	Committees served
Mr G Evans – MBE Chair of Corporation	Business		Chair of - R, S&G and NBSG Member of - HR, F&E, CDER,
Prof P Hodson Vice Chair of Corporation	Co-opted		R, S&G, CQSA (Chair), NBSG
Mr T Al-Azzani	Student	R – August 2012	CQSA
Mr M Baird	Business		HR
Mr J Baker	Business	A – September 2013	A (Chair)
Ms R Caines-Prentice	Community	R - August 2013	CQSA, A
Mr T Clements	Student	A – September 2012 R – October 2013	CQSA
Ms V Compton	Business		HR, CDER, (A –from Nov 2013)
Mr S Craddock	Non-teaching staff		HR
Mr D Crompton – OBE	Community	R - January 2013	S&G, A (Chair), CDER
Cllr C Elmore	Local Authority	A - October 2012	CQSA
Mr P Dolan	Business		R, S&G, A, CDER (Chair), NBSG
Ms S Goddard	Student	A – November 2012 R – Feb 2013	CQSA
Mr B Haines	Business		F&E, R, S&G, CDER
Mr T Hampton	Local Authority / Transfer to co-opted committee member	Transfer – October 2012	To Oct 2012 - R, S&G, HR (Chair), NBSG
Mr M Howells	Community		HR (Chair from Oct 2012) CQSA – from Nov 2013
Ms R Hussein	Student	A – March 2013 / R - October 2013	CQSA
Mr M James	Principal		F&E, CQSA, CDER, NBSG
Mrs P John-Cooke	Co-opted		CQSA, A
Cllr J Magill	Local Authority	A – October 2012	CQSA
Mr A Noghani	Student	R – August 2012	CQSA
Mr D Reeves	Community		F&E (Chair), R, S&G, NBSG
Mr K Robinson	Teaching staff	A – September 2013	F&E, CQSA
Ms A Salter	Student	A – September 2012 R – August 2013	CQSA
Mr D Smith	Co-opted		F&E, HR
Mr D Swallow	Business		F&E, CDER

During the year the Governing Body had the following sub committees:

- Finance and Estates (F&E)
- Remuneration (R)
- Search and Governance (S&G)
- Curriculum, Quality and Student Affairs (CQSA)
- Human Resources (HR)
- Audit (A)
- Commercial Development and External Relations (CDER)
- New Build Steering Group (NBSG)

In September 2013 the Finance and Estates and Human Resources Committees were merged to form a single Finance, Estates and HR Committee.

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Members of Cardiff and Vale College Further Education Corporation

In addition to the full members of the Governing Body set out above the following individuals were co-opted members of Governing Body sub Committees.

	Committee Membership						
	F&E	R	S&G	CQSA	HR	A	CDER
Mrs S Halbert						√	
Mr T Hampton					√		
Mrs S Radcliffe		√			√		
Mr M Wilson / Mr D Morgan (alternates)				√			
Mr L Barnes							√

Disclosure of information to auditors

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

Mr GD Evans MBE

Mr M James

Chairman

Principal & Chief Executive

5 December 2013

CARDIFF AND VALE COLLEGE GROUP

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

STATEMENT OF THE GOVERNING BODY'S RESPONSIBILITIES

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

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

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

- suitable accounting policies were selected and applied consistently;
- judgements and estimates were made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume the College will continue in operation. The Governing Body is satisfied that Cardiff and Vale College has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Governing body has taken reasonable steps to:

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

CARDIFF AND VALE COLLEGE GROUP

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

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

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

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

Information held on the College's website

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

Mr GD Evans MBE
Chairman
Cardiff and Vale College
5 December 2013

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

CORPORATE GOVERNANCE

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

This summary describes the manner in which the Institution has applied the principles set out in the UK Corporate Governance Code issued by the London Stock Exchange in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Governors, Cardiff and Vale College complied with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2013.

The Corporation

The composition of the Cardiff and Vale College Further Education Corporation during the year ended 31 July 2013 is set out on page 13. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

The Corporation conducted its business through a number of committees. Each committee had terms of reference, which had been approved by the Corporation. These committees were finance and estates, curriculum quality and student affairs, HR, remuneration, search and governance, audit, commercial development and external relations and the new build steering group.

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

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

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

There was a clear division of responsibility in that the roles of the Chairman and Principal were separate.

Remuneration Committee

Throughout the year ended 31 July 2013, the Institution's remuneration committee comprised of the members who are identified on page 13. The Committee's responsibilities were to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.

Details of senior post holders remuneration for the year ended 31 July 2013 are set out in note 7 to the financial statements.

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

CORPORATE GOVERNANCE (continued)

Appointments to the Corporation

Any new appointments to the Corporation were a matter of consideration of the Corporation as a whole. The Corporation has a search and governance committee which is comprised of the members who are identified on page 13 and were responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation was responsible for ensuring that appropriate training was provided as required.

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

Audit Committee

The audit committee comprised four members of the Corporation (excluding the Principal and Chair) and one co-opted member as identified on pages 13 and 14. The committee operated in accordance with written terms of reference approved by the Corporation.

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

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

Management was responsible for the implementation of agreed audit recommendations and internal audit undertook periodic follow up reviews to ensure such recommendations had been implemented.

The audit committee also advised the Corporation on the appointment of internal and external auditors and their remuneration for both audit and non-audit work.

INTERNAL CONTROL

Scope of responsibility

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

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

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

INTERNAL CONTROL (continued)

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risks of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Institution policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Cardiff and Vale College for the year ended 31 July 2013.

Capacity to handle risk

The Corporation has reviewed the key risks to which the Institution was exposed together with the operating, financial and compliance controls that have been instigated to mitigate those risks. The Corporation is of the view that there was a formal on-going process for identifying, evaluating and managing the Institution's significant risks that had been in place for the year ended 31 July 2013. This process was 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 Corporation;
- regular reviews by the Corporation of periodic and annual financial reports, which indicate the financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

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

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

INTERNAL CONTROL (continued)

Review of effectiveness

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

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

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

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

At its 5 December 2013 meeting, the Corporation carried out the annual assessment for the period ended 31 July 2013 by considering documentation from the senior management team and internal audit.

Going Concern

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

Mr GD Evans MBE
Chairman
Cardiff and Vale College
5 December 2013

Mr M James
Principal
Cardiff and Vale College

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF CARDIFF AND VALE COLLEGE

We have audited the Group and College financial statements ("the financial statements") of Cardiff and Vale College for the year ended 31 July 2013 set out on pages 23 to 49. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, as a body, in accordance with Article 19 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Governing Body, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Governing body of Cardiff and Vale College and Auditor

As explained more fully in the Statement of the Governing Body's responsibilities set out on pages 15 to 16, the Governing Body is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements.

In addition we read all the financial and non-financial information in the Report of the Governing Body to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF CARDIFF AND VALE COLLEGE
(continued)

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and of the College's affairs as at 31 July 2013 and of the Group's surplus of income over expenditure for the year then ended.
- The financial statements have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and the Accounts Direction 2012/13 issued by the Welsh Government.

Opinion on other matters prescribed in the Further Education Audit Code of Practice 2007 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.

Emma Holiday
Senior statutory auditor
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Key
Cardiff Bay
CF10 4AX

18th December 2013

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

	Notes	2013 £'000 Ordinary Activities	2013 £'000 Exceptional item (See note 29)	2013 £'000 Total	2012 £'000 Total
Income					
Welsh Government Grants	2	41,706	-	41,706	41,630
Tuition Fees and education contracts	3	3,385	-	3,385	4,798
Other Income	4	3,907	-	3,907	2,887
Endowment and Investment income	5	183	-	183	172
		-----	-----	-----	-----
Total Income		49,181	-	49,181	49,487
		-----	-----	-----	-----
Expenditure					
Staff costs	6	29,286	140	29,426	28,231
Other operating expenses	8	17,319	-	17,319	19,084
Depreciation	12	2,061	-	2,061	1,935
Interest payable	9	276	-	276	316
		-----	-----	-----	-----
Total expenditure		48,942	140	49,082	49,566
		-----	-----	-----	-----
Surplus/(Deficit) after depreciation of tangible fixed assets at valuation and before taxation		239	(140)	99	(79)
Profit on disposal of fixed assets		-	-	-	121
Surplus/(Deficit) after depreciation of tangible fixed assets at valuation and profit on sale of fixed assets and before taxation		239	(140)	99	42
Taxation	10	-	-	-	-
		-----	-----	-----	-----
Surplus/(Deficit) after depreciation of tangible fixed assets at valuation and taxation	11	239	(140)	99	42
		-----	-----	-----	-----

The Exceptional item relates to the FRS17 charge arising from the transfer of staff from Cardiff Council to the College during the year. Note 29 explains that this charge differs to that used for the valuation of the College's cash contributions which have not been affected by this transfer.

The consolidated income and expenditure account is in respect of continuing activities.

The notes on pages 27 to 49 form part of these accounts.

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

	Notes	2013 £'000	2012 £'000
Surplus on continuing operations after taxation	11	99	42
Difference between historical cost depreciation and the actual charge for the year / period calculated on the re-valued amount	20	314	314
Historical cost surplus for the year / period after taxation		413	356

CONSOLIDATED STATEMENT OF THE TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2013 £'000	2012 £'000
Surplus on continuing operations after depreciation of assets at Valuation and taxation	11	99	42
Actuarial gains/(losses) in respect of the pension scheme	22	1,300	(4,131)
Total recognised gains/(losses)for the year / period		1,399	(4,089)
Reconciliation			
Opening Group reserves		11,583	15,672
Total recognised gains/ (losses) for the year / period		1,399	(4,089)
Closing Group reserves		12,982	11,583

The notes on page 27 to 49 form part of these accounts.

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
CONSOLIDATED AND COLLEGE BALANCE SHEETS

	Notes	Group 2013 £'000	College 2013 £'000	Group 2012 £'000	College 2012 £'000
Fixed Assets					
Tangible assets	12	22,294	22,294	18,462	18,462
Investments	13	-	-	-	-
		-----	-----	-----	-----
		22,294	22,294	18,462	18,462
Current assets					
Stocks		36	11	5	5
Debtors	14	4,829	4,951	2,493	2,472
Investments (short term deposits)		-	-	8,000	8,000
Cash in bank and in hand		14,668	14,558	5,680	5,544
		-----	-----	-----	-----
		19,533	19,520	16,178	16,021
Creditors: amounts falling due within one year	15	(8,550)	(8,549)	(4,916)	(4,893)
		-----	-----	-----	-----
Net current assets		10,983	10,971	11,262	11,128
		-----	-----	-----	-----
Total assets less current liabilities		33,277	33,265	29,724	29,590
Creditors: amounts falling due after more than one year	16	(692)	(692)	(851)	(851)
Provisions for liabilities and charges	18	(479)	(479)	(607)	(607)
		-----	-----	-----	-----
Net assets excluding pension liability		32,106	32,094	28,266	28,132
Net pension liability	22	(13,820)	(13,820)	(14,410)	(14,410)
		-----	-----	-----	-----
NET ASSETS INCLUDING PENSION LIABILITY		18,286	18,274	13,856	13,722
		-----	-----	-----	-----
Deferred capital grants	19	5,304	5,304	2,273	2,273
Income and expenditure account excluding pension reserve	21	16,701	16,689	15,578	15,444
Pension reserve	21	(13,820)	(13,820)	(14,410)	(14,410)
		-----	-----	-----	-----
Income and expenditure account including pension reserve		2,881	2,869	1,168	1,034
Restricted reserve	20	1,525	1,525	1,525	1,525
Revaluation reserve	20	8,576	8,576	8,890	8,890
		-----	-----	-----	-----
Total reserves		12,982	12,970	11,583	11,449
		-----	-----	-----	-----
TOTAL		18,286	18,274	13,856	13,722
		-----	-----	-----	-----

The financial statements on pages 23 to 49 were approved by the members of the Cardiff and Vale Further Education Corporation on 5th December 2013 and were signed on its behalf by:

Mr GD Evans MBE
Chair

Mr M James
Principal

Mr MC Roberts
Vice Principal (Resources)

The notes on pages 27 to 49 form part of these accounts.

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
CONSOLIDATED CASHFLOW STATEMENT

	Notes	2013 £'000	2012 £'000
Net cash inflow from operating activities	23	2,696	1,366
Returns on investments and servicing of finance			
Income from investments	5	183	172
Interest paid	9	(40)	(45)
Interest element of finance lease rental payment	9	(8)	(7)
		-----	-----
Net cash inflow from returns on investments and servicing of finance		135	120
		-----	-----
Capital expenditure and financial investment			
Deferred capital grants received	19	3,494	-
Profit on sale of property		-	121
Purchase of tangible fixed assets	12	(5,160)	(995)
		-----	-----
Net cash (outflow) from capital expenditure and financial investment		(1,666)	(874)
		-----	-----
Management of liquid resources			
Redeeming / (placing) deposits		8,000	(8,000)
		-----	-----
Net cash inflow / (outflow) from management of liquid resources		8,000	(8,000)
		-----	-----
Financing			
New unsecured loan		-	71
Repayment of amounts borrowed	16	(61)	(51)
Capital element of finance lease rental payments	24	(116)	(128)
		-----	-----
Net cash (outflow) from financing		(177)	(108)
		-----	-----
Inflow / (Outflow) in cash in the year / period	24	8,988	(7,496)
		-----	-----
Reconciliation of net cash flow to movement in net funds			
Increase / (decrease) in cash in the year		8,988	(7,496)
Cash inflow/ (outflow) from change in liquid resources		(8,000)	8,000
		-----	-----
Net change in cash and short term deposits		988	504
Change in net debt arising from cashflows		61	(20)
Change in finance lease obligations arising from cashflows		116	128
New finance lease obligation		-	(377)
		-----	-----
Movement in net funds in the year / period		1,165	235
Net funds at 1 August		12,653	12,418
		-----	-----
Net funds at 31 July	24	13,818	12,653
		-----	-----

The notes on pages 27 to 49 form part of these accounts.

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

1 STATEMENT OF ACCOUNTING POLICIES

Period of account

These accounts have been prepared for the year from 1 August 2012 to the 31 July 2013. The comparative period was from 8 April 2011 to 31 July 2012. The College did not trade nor enter into any activities in its own right that would give rise to accounting transactions during the period 8 April 2011 to 31 July 2011.

Basis of Preparation

These financial statements have been prepared in accordance with the 2007 Statement of Recommended Practice (SORP) "Accounting for Further and Higher Education", and the accounts direction issued by the Welsh Government and in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies which have been consistently applied are set out below.

Basis of Accounting

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

Going concern

The activities of the College together with the factors likely to affect its future development and performance are set out in the report of the Governing Body. The financial position of the College its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The College's forecasts and financial projections indicate it has sufficient resources to be able to operate for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

Basis of Consolidation

The consolidated financial statements include the College and its subsidiaries. The results of any subsidiaries acquired or disposed of during the year are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the student union have not been consolidated because the College does not control these activities.

Stocks

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

Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks and building societies.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Recognition of Income

Income from research grants, contracts, tuition fees and other services rendered is included to the extent of the completion of the contract or service concerned. For certain academic contracts, income is recognised only to the extent that learners have completed the appropriate assessment process for the qualification they are following, in accordance with external funding guidance to which these contracts are linked. All income from short term deposits is credited to the income and expenditure account in the year in which it is earned. The annual recurrent allocation from the Welsh Government which is intended to meet recurrent costs is credited direct to the income and expenditure account, while ESF grants are accounted for when it is reasonably certain they will be received. Non recurrent grants from the Welsh Government in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Pension Schemes

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

Both these schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the TPS are charged to the income and expenditure so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension costs is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

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

The assets of the LGPS are measured using closing market 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 liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Enhanced Pensions

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

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Tangible Fixed Assets

Land and Buildings

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

Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the College of between 40 and 60 years; the net book value has been reviewed and no impairment adjustment is required. Building adaptations are depreciated over periods of between 5 and 25 years dependent upon the nature of the work. Assets in the course of construction at the balance sheet date are not depreciated and remain un-depreciated until the asset is brought into use.

Equipment

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the period of acquisition. In addition, groups of items that individually cost less than £5,000, but collectively are in excess of that limit and are considered, as a group, to represent an asset that is used over a number of years, are capitalised. All other equipment is capitalised at cost. Capitalised assets and groups of assets are depreciated over their useful economic life as follows:

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

Capital grants

Where land and buildings or equipment are acquired with the aid of specific grants they are capitalised and depreciated in accordance with the policy as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the useful economic life of the related asset on a basis consistent with the depreciation policy.

Investments

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

Maintenance of Premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

CARDIFF AND VALE COLLEGE GROUP

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

NOTES TO THE ACCOUNTS (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Leased Assets

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

Taxation

As an exempt charity, the College benefits by being broadly exempt from corporation tax on income it receives from tuition fees, interest and rents. The College is exempted from levying VAT on most services it provides to students. For this reason the College is generally unable to recover input VAT it suffers on goods or services purchased.

Provisions

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

Agency Costs

The College acts as an agent in the management of certain funds and programmes on behalf of the Welsh Government. The amounts received from the Welsh Government and related payments are excluded from the income and expenditure account with the exception of any administration element that the College is entitled to retain. Further details on these funds and programmes and the gross amounts involved are shown separately in note 28.

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

2 WELSH GOVERNMENT GRANTS

	2013	2012
	£'000	£'000
Recurrent grant	30,408	29,853
Work Based Learning grant	9,230	9,615
Other Welsh Government grants	976	1,153
Release of deferred capital grant (note 19)	453	379
Release of deferred revenue grants	639	274
	-----	-----
	41,706	41,274
<u>Exceptional Item (see note 29)</u>		
Merger costs grant	-	356
	-----	-----
	41,706	41,630
	-----	-----

3 TUITION FEES AND EDUCATION CONTRACTS

	2013	2012
	£'000	£'000
<u>Tuition fees and charges</u>		
UK and EU – Further Education	1,179	1,338
UK and EU – Higher Education	668	571
Non EU – Further Education	187	332
Non EU – Higher Education	124	259
	-----	-----
	2,158	2,500
<u>Education Contracts</u>		
Higher Education Franchise	186	1,077
14-19 Learning Pathways	726	852
Other Education Contracts – UK and EU	315	369
Other Education Contracts – non EU	-	-
	-----	-----
	1,227	2,298
	-----	-----
Tuition Fees and Education Contracts	3,385	4,798
	-----	-----

4 OTHER INCOME

	2013	2012
	£'000	£'000
Residencies, catering and conferences	768	666
Other income generating activities	1,896	1,300
Other grant income	537	240
Other income	696	671
Release from deferred capital grants (note 19)	10	10
	-----	-----
	3,907	2,887
	-----	-----

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

5 ENDOWMENT AND INVESTMENT INCOME

	2013	2012
	£'000	£'000
Income from short-term deposits	183	172
	-----	-----

6 STAFF COSTS

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

	2013	2012
	No's	No's
Teaching departments	558	532
Teaching support services	89	84
Other support services	59	56
Administration and central services	61	70
Marketing	8	7
Premises	28	24
Other income generating activities	15	14
Catering and residences	7	6
	-----	-----
	825	793
	-----	-----

Staff costs for the above persons

	£'000	£'000
Teaching departments	20,743	19,509
Teaching Support services	2,401	2,255
Other support services	1,396	1,448
Administration and central services	2,669	2,681
Marketing	255	195
Premises	827	757
Other income generating activities	586	539
Catering and residences	131	115
Enhanced pension charge	2	27
Restructuring Costs (see note 29)	276	705
	-----	-----
	29,286	28,231
	-----	-----

Exceptional pension costs (see notes 22 and 29)

140	-
-----	-----

Total

29,426	28,231
-----	-----

	2013	2012
	£'000	£'000
Wages and salaries	23,946	22,876
Social security costs	1,741	1,665
Pension costs	3,323	2,985
Restructuring Costs	276	705
	-----	-----
	29,286	28,231
	-----	-----

Exceptional pension costs (see note 22 and 29)

140	-
-----	-----

29,426	28,231
-----	-----

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

6 STAFF COSTS (continued)

The number of staff, including the Principal and Chief Executive, who received emoluments in the following ranges was:

	Year ended 31 July 2013	Year ended 31 July 2012
£60,001 to £70,000	-	-
£70,001 to £80,000	4	5
£80,001 to £90,000	-	-
£100,001 to £110,000	-	1
£110,001 to £120,000	1	-
	-----	-----
	5	6
	-----	-----

7 PRINCIPAL, SENIOR POST HOLDERS AND HIGHER PAID EMPLOYEES

		2013	2012
		£'000	£'000
Principal, senior post holders and higher paid employees	Salaries	476	479
	Pension costs	64	66
	Benefits in kind	-	-
		-----	-----
		540	545
		-----	-----
Principal / Chief Executive emoluments	Salary	120	110
	Pension costs	17	16
	Benefits in kind	-	-
		-----	-----
		137	126
		-----	-----

The pension costs in respect of the Principal / Chief Executive, senior post-holders and higher paid employees are in respect of employers' contributions to the Teachers' or Local Government Pension Schemes and are paid at the same rate as for other employees.

The members of the Corporation, other than the Principal / Chief Executive and other staff governors, received payments of £855 (2011/12 £1,188) from the College for travel and subsistence expenses incurred in the course of their duties. During the year £3,807 (2011/12 – none) was incurred in respect of an overseas visit to Libya undertaken by the Principal / Chief Executive and the Vice Principal Income Diversification and Social collaboration.

During the year one member of staff whose total emoluments exceeded £60,000 received a redundancy payment of £51,759. This was based on the same voluntary redundancy package made available to all members of staff at the time of the merger.

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

8 OTHER OPERATING EXPENSES

	2013	2012
	£'000	£'000
Teaching departments	1,240	1,437
<u>Teaching support services</u>		
• Examination fees	1,203	1,198
• Learner transport	757	581
• Other teaching support services	591	125
Other support services	57	109
Catering Costs	663	656
Marketing	248	281
Administration and central services	1,063	1,093
Income generation costs	135	117
Premises costs	2,598	2,550
Long-term maintenance	325	203
<u>Subcontracted provision</u>		
• Work based learning	6,732	7,478
• Franchised courses	1,203	2,378
• Other sub contracts	504	405
	-----	-----
	17,319	18,611
Exceptional Item - Merger related expenditure (see note 29)	-	473
	-----	-----
	17,319	19,084
	-----	-----
	2013	2012
	£'000	£'000
Other operating expenses include:		
Auditors' remuneration		
-external audit	45	39
-internal audit	20	26
-external auditors – other services	7	7
Operating leases payable this year	264	209

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

9 INTEREST PAYABLE

	2013	2012
	£'000	£'000
On bank loans	40	45
Pension finance costs (note 22)	210	240
On enhanced pension provision (note 18)	18	24
Finance Lease	8	7
	-----	-----
	276	316
	-----	-----

10 TAXATION

The Group was not liable for any corporation tax arising out of its activities during the year.

11 SURPLUS ON CONTINUING OPERATIONS

The surplus on continuing operations for the year/period is made up as follows:

	2013	2012
	£'000	£'000
College's (Deficit) for the year / period	(33)	(81)
Subsidiary undertakings surplus for year / period	132	123
	-----	-----
Consolidated surplus for the year / period (after profit on sale of fixed asset)	99	42
	-----	-----

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

12 TANGIBLE FIXED ASSETS

Group

	Freehold land & buildings	Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 Aug 2012	28,091	5,362	232	33,685
Transfers	199	33	(232)	-
Additions	3,590	731	1,572	5,893
	-----	-----	-----	-----
At 31 July 2013	31,880	6,126	1,572	39,578
	-----	-----	-----	-----
Accumulated depreciation				
At 1 Aug 2012	11,948	3,275	-	15,223
Charge for the year	1,146	915	-	2,061
	-----	-----	-----	-----
At 31 July 2013	13,094	4,190	-	17,284
	-----	-----	-----	-----
Net book value				
At 31 July 2013	18,786	1,936	1,572	22,294
	-----	-----	-----	-----
At 31 July 2012	16,143	2,087	232	18,462
	-----	-----	-----	-----
Inherited on Incorporation	8,575	-	-	8,575
Financed by Capital Grant	6,344	42	-	6,386
Financed by Lease	-	204	-	204
Other	3,867	1,690	1,572	7,129
	-----	-----	-----	-----
	18,786	1,936	1,572	22,294
	-----	-----	-----	-----

On Incorporation of the legacy colleges on 1 April 1993, land and buildings were valued for the purpose of the financial statements at depreciated replacement cost by chartered surveyors employed by the former South Glamorgan County Council. Other tangible fixed assets inherited from the Local Education Authority (LEA) at Incorporation have been valued by the Corporation on a depreciated replacement cost basis.

Land and buildings with a net book value of £8,575,000 (2012: £8,890,000) have been funded from Local Education Authority sources. Should these assets be sold, the College would either have to surrender the sale proceeds to the Welsh Government or use them in accordance with the financial memorandum with the Welsh Government. The net book value of equipment includes an amount of £204,427 (2011: £298,778 in respect of assets held under finance leases. The depreciation charge on these assets for the year / period was £94,351 (2011: £78,626).

Assets under construction include amounts in respect of the Canal Parade development.

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

12 TANGIBLE FIXED ASSETS (continued)

College

	Freehold land & buildings	Equipment	Assets under Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2012	28,091	5,353	232	33,676
Transfers	199	33	(232)	-
Additions	3,590	731	1,572	5,893
	-----	-----	-----	-----
	31,880	6,117	1,572	39,569
	-----	-----	-----	-----
Accumulated depreciation				
At 1 August 2012	11,948	3,266	-	15,214
Charge for the year	1,146	915	-	2,061
	-----	-----	-----	-----
	13,094	4,181	-	17,275
	-----	-----	-----	-----
At 31 July 2013				
	18,786	1,936	1,572	22,294
	-----	-----	-----	-----
At 31 July 2012	16,143	2,087	232	18,462
	-----	-----	-----	-----

Assets under construction include amounts in respect of the Canal Parade development.

13 INVESTMENTS

The College owns 100 percent of the issued ordinary £1 shares of ICAT Limited, a company incorporated in Great Britain. The principal business activity of ICAT Limited, is the provision of customised training.

The College also owns 100 percent of the issued ordinary £1 shares of the following companies, both incorporated in Great Britain, that are dormant and did not trade in the year ended 31 July 2013:

- International Centre for Aerospace Training Limited
- Cardiff College Enterprises Limited

The College was also the sole member of Vale of Glamorgan Training Association ("VGTA"), a company limited by guarantee and incorporated in Great Britain. The company did not trade and was dissolved in the year ended 31 July 2013.

CARDIFF AND VALE COLLEGE GROUP

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

NOTES TO THE ACCOUNTS (continued)

14 DEBTORS

	Group 2013 £'000	College 2013 £'000	Group 2012 £'000	College 2012 £'000
Amounts falling due within one year				
Trade debtors	754	749	1,384	1,383
Amounts owed by groups undertakings	-	140	-	-
Prepayment and accrued income	4,075	4,062	1,109	1,089
	-----	-----	-----	-----
	4,829	4,951	2,493	2,472
	-----	-----	-----	-----

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2013 £'000	College 2013 £'000	Group 2012 £'000	College 2012 £'000
Bank loan and overdraft	51	51	48	48
Other loan	12	12	12	12
Obligations under finance leases	95	95	116	116
Payments received in advance	504	504	1,670	1,670
Trade creditors	2,246	2,245	1,632	1,629
Tax and social security creditor	889	889	18	14
Accruals	4,753	4,753	1,420	1,404
	-----	-----	-----	-----
	8,550	8,549	4,916	4,893
	-----	-----	-----	-----

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2013 £'000	College 2013 £'000	Group 2012 £'000	College 2012 £'000
Bank loan	551	551	603	603
Other loan	41	41	53	53
Finance Leases	100	100	195	195
	-----	-----	-----	-----
Total borrowings	692	692	851	851
Bank Loan				
The bank loan is repayable as follows:				
In one year or less	51	51	48	48
Between one and two years	55	55	52	52
Between two and five years	186	186	175	175
In five years or more	310	310	376	376
	-----	-----	-----	-----
Total	602	602	651	651
	-----	-----	-----	-----
Other Loan				
The other loan is repayable as follows:				
In one year or less	12	12	12	12
Between one and two years	12	12	12	12
Between two and five years	29	29	35	35
Over five years	-	-	6	6
	-----	-----	-----	-----
	53	53	65	65
	-----	-----	-----	-----
Finance leases				
The Finance Leases are repayable as follows:				
In one year or less	95	95	116	116
Between one and two years	100	100	96	96
Between two and five years	-	-	99	99
Over five years	-	-	-	-
	-----	-----	-----	-----
	195	195	311	311
	-----	-----	-----	-----

The bank loan is repayable in 60 quarterly gross instalments (capital and interest) of £22,029, which was commenced 31 July 2007 with the first payment on 31 October 2007. Interest is payable at a fixed rate of 6.274%.

The other loan is a six year interest free loan borrowed from Salix Finance. The loan was applied under the Energy Efficiency Loan Scheme, which is payable in 12 biannual repayments of £5,901.

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

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

17 FINANCIAL COMMITMENTS

Group and College - Annual commitments on leases expiring

	2013	2012
	£'000	£'000
Land and Buildings		
Within one year	-	-
Between 2 & 5 years	275	95
Over 5 years	150	99
	-----	-----
	425	194
	-----	-----
Other Leases		
Within one year	18	18
Between 2 & 5 years	195	99
Over 5 years	-	-
	-----	-----
	213	117
	-----	-----

18 PROVISIONS FOR LIABILITIES

Group and college	Enhanced pension £'000	Redundancy £'000	Total £'000
At 1 August 2012	465	142	607
Utilised in the year	(35)	(142)	(177)
Interest charged on provision (note 9)	18	-	18
Charged in the year	2	29	31
	-----	-----	-----
At 31 July 2013	450	29	479
	-----	-----	-----

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

The redundancy provision represents the payments to be made to individuals in respect of voluntary redundancy payments.

19 DEFERRED CAPITAL GRANTS

Group and college	Land and buildings £'000	Equipment £'000	Total £'000
At 1 August 2012	2,147	126	2,273
Re-categorisation	23	(23)	-
Cash received during the year	3,000	494	3,494
Released to income and expenditure account	(403)	(60)	(463)
	-----	-----	-----
At 31 July 2013	4,767	537	5,304
	-----	-----	-----

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

20 RESERVES

	Group & College Revaluation £'000	Group & College Restricted £'000
At 1 August 2012	8,890	1,525
Transfer from revaluation reserve to income and expenditure	(314)	-
	-----	-----
At 31 July 2013	8,576	1,525
	-----	-----

The restricted reserve represents the accumulated income and expenditure reserve of the VGTA on merger with Barry College on 31 July 2010.

A condition of the merger between Barry College and VGTA set out in the transfer deed is that the assets of the VGTA including the reserves transferred to the College will be used exclusively for the charitable objective of the VGTA – To advance the vocational preparation and training and the education of young people and adults.

21 INCOME AND EXPENDITURE ACCOUNT

	Group 2013 £'000	College 2013 £'000	Group 2012 £'000	College 2012 £'000
At 1 August	1,168	1,034	4,943	4,932
Surplus/(deficit)for the year before gift aid	99	(33)	42	(81)
Gift aid from subsidiary	-	254	-	-
Contribution to depreciation from revaluation reserve	314	314	314	314
Actuarial gain / (loss) in respect of pension scheme	1,300	1,300	(4,131)	(4,131)
	-----	-----	-----	-----
At 31 July	2,881	2,869	1,168	1,034
	-----	-----	-----	-----

Balance represented by:

	Group 2013 £'000	College 2013 £'000	Group 2012 £'000	College 2012 £'000
Income and expenditure reserve excluding pension reserve	16,701	16,689	15,578	15,444
Pension reserve	(13,820)	(13,820)	(14,410)	(14,410)
	-----	-----	-----	-----
At 31 July	2,881	2,615	1,168	1,034
	-----	-----	-----	-----

Of the Group's total income and expenditure reserve of £16.7m, only £9.7m is "cash backed" and could be used by the Group. Of this amount, £5m has been committed by the Governing Body for the Canal Parade capital development and £3.9m is set aside to meet the Welsh Government's required for a financial reserve equivalent to one month's expenditure. The Group therefore has £0.8m of available cash backed reserves.

CARDIFF AND VALE COLLEGE GROUP

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

NOTES TO THE ACCOUNTS (continued)

22 PENSIONS AND SIMILAR OBLIGATIONS

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

	2013	2012
	£'000	£'000
Teachers' Pension Scheme: contributions paid	1,701	1,638
Local Government Pension Scheme:		
• Charge to the Income and expenditure Account	1,620	1,320
Enhanced pension charge to the Income and Expenditure Account	2	27
	-----	-----
	3,323	2,985
Local Government Pension Scheme:		
• Exceptional item (see note 29)	140	-
	-----	-----
Total Pension Cost for the year / period	3,463	2,985
	-----	-----

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the TPS was 31 March 2004 and the C&VPF 31 March 2010.

Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective Benefits
Investment returns per annum	16% per annum
Salary scale increases per annum	5.0 % per annum
Market value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	98.88%

Following the implementation of the Teachers' Pension (Employers' Supplementary Contributions) regulation 2000, the Government Actuary carried out a further review on the level of employer contributions. For the year from 1 August 2011 to 31 July 2012 the employer contribution was 14.1 per cent. The employee rate was 6.4% for the same period. An appropriate provision in respect of unfunded pensioners' benefits is included in the provisions.

Under the definition set out in Financial Reporting Standard 17 (FRS17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out the above information available on the deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

22 PENSIONS AND SIMILAR OBLIGATIONS (continued)

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

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

The following information is based upon a full actuarial valuation of the fund at 31 March 2010.

Principal assumptions

The principal assumptions made by the actuaries were:

	31 July 2013	31 July 2012
RPI Inflation	3.6	3.1
CPI Inflation	2.7	2.1
Rate of increase in salaries	4.6	4.1
Rate of increase for pensions in payment	2.7	2.1
Rate of increase to deferred pensions	2.7	2.1
Discount rate for liabilities	4.5	4.1
Commutation of pre 1 April 2010 entitlements	50%	50%
Commutation of post 31 March 2010 entitlements	75%	75%

Mortality

The mortality assumptions are based on the PNMA00 series standard mortality tables with allowance for future improvements in line with the "medium cohort" projection model, subject to minimum level of annual improvement. Mortality rates in the underlying base table are further adjusted by the use of scaling factors to reflect the actual mortality experience of the Fund. The assumed life expectations on retirement at age 65 are:

	31 July 2013	31 July 2012
Retiring today:		
Male	24.0	23.9
Female	26.8	26.7
Retiring in 20 years:		
Male	25.7	25.6
Female	28.8	28.7

Expected rate of return

Cardiff and Vale College employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 July 2013.

	31 July 2013	31 July 2012
Overall expected rate of return	7.1%	6.6%

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

22 PENSIONS AND SIMILAR OBLIGATIONS (continued)

	31 July 2013	31 July 2012
	%	%
Asset Split as a % of total assets		
Equities	77.8	72.4
Property	5.7	6.5
Government Bonds	7.4	8.2
Corporate Bonds	8.4	9.2
Cash	0.7	1.5
Other	0.0	2.2
Total	100.0	100.0

Analysis of the funded state of the scheme

	31 July 2013	31 July 2012
	£000	£000
Notional College share of value of assets	21,320	16,540
Present value of liabilities relating to the College	(35,140)	(30,950)
	-----	-----
Net pension liability applicable to the College	(13,820)	(14,410)
	-----	-----

Analysis of the amount charged to the income and expenditure account

	2013	2012
	£000	£000
Employer current service cost net of employee contributions	1,610	1,300
Past service cost	10	20
Past service cost re transfer of staff (See note 29)	140	-
	-----	-----
Total operating charge	1,760	1,320
	-----	-----

Analysis of pension finance cost

	2013	2012
	£000	£000
Interest on pension liabilities	1,310	1,370
Expected return on pension scheme assets	(1,100)	(1,130)
	-----	-----
Pension finance cost	210	240
	-----	-----

Analysis of amount recognised in Statement of Total Recognised Gains and Losses

	2013	2012
	£000	£000
Total actuarial gains / (losses)	1,300	(4,131)
	-----	-----
Total gain / (losses) in Statement of Total Recognised Gains and Losses	1,300	(4,131)
	-----	-----

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

22 PENSIONS AND SIMILAR OBLIGATIONS (continued)

Movement in deficit during the year

	2013	2012
	£'000	£'000
Deficit in scheme at 1 August	(14,410)	(9,929)
Current employer service charge	(1,610)	(1,300)
Employer contributions	1,260	1,210
Past service loss	(10)	(20)
Net interest on assets	(210)	(240)
Actuarial gain/(loss)	1,300	(4,131)
Net deficit on transfer of staff (see note 29)	(140)	-
	-----	-----
Deficit in scheme at 31 July	(13,820)	(14,410)
	-----	-----

Changes to the present value of liabilities during the year

	2013	2012
	£'000	£'000
Opening present value of liabilities	30,950	25,114
Current service cost	1,610	1,300
Interest cost	1,310	1,370
Contributions by participants	440	416
Actuarial loss on liabilities *	1,160	3,110
Net benefits paid out #	(1,100)	(380)
Past service cost	10	20
Liabilities arising from transfer of staff (see note 29)	760	-
	-----	-----
Closing present value of liabilities	35,140	30,950
	-----	-----

Changes to the fair value of assets during the year

	2013	2012
	£'000	£'000
Opening fair value of assets	16,540	15,185
Expected return on assets	1,100	1,130
Actuarial gains / losses on assets	2,460	(1,021)
Contributions by the Employer	1,260	1,210
Contributions by participants	440	416
Net benefits paid out #	(1,100)	(380)
Assets arising from transfer of staff (see note 29)	620	-
	-----	-----
Closing fair value of assets	21,320	16,540
	-----	-----

*Includes changes to the actuarial assumptions

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

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

22 PENSIONS AND SIMILAR OBLIGATIONS (continued)

History of asset values, present value of liabilities and surplus/(deficit)

	2013	2012
	£'000	£'000
Fair value of assets	21,320	16,540
Present value of liabilities	(35,140)	(30,950)
	-----	-----
Deficit	(13,820)	(14,410)
	-----	-----

History of experience gains and losses

	2013	2012
	£'000	£'000
Experience gains/(losses) on assets	2,460	(1,020)
	-----	-----
Experience (losses) on liabilities #	(10)	(150)
	-----	-----

#This item consists of gains / (losses) in respect of liability experience only and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

An appropriate provision in respect of unfunded pensioners' benefits is included in provisions (see note 18).

23 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES

	2013	2012
	£'000	£'000
Surplus on continuing operations after depreciation of fixed assets at valuation	99	42
Depreciation	2,061	1,935
Deferred capital grants released to income	(463)	(389)
(Increase) / decrease in stocks	(31)	13
(Increase) in debtors	(2,336)	(616)
(Decrease) / increase in provisions	(128)	155
Increase in creditors	2,919	117
FRS17 Pension cost less contributions payable	500	110
FRS17 Pension Finance Cost	210	240
(Profit) on disposal of fixed assets	-	(121)
Interest receivable	(183)	(172)
Interest payable	48	52
	-----	-----
Net cash inflow from operating activities	2,696	1,366
	-----	-----

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

24 ANALYSIS OF CHANGES IN NET FUNDS

	Group At 1 Aug 2012 £'000	Group Cash flows £'000	Group Other non cash changes £'000	Group At 31 July 2013 £'000
Analysis of changes in net funds				
Cash at bank and in hand	5,680	8,988	-	14,668
Short term deposits	8,000	(8,000)	-	-
	-----	-----	-----	-----
	13,680	988	-	14,668
	-----	-----	-----	-----
Debt due within one year	(60)	61	(64)	(63)
Debt due after one year	(656)	-	64	(592)
Finance Leases	(311)	116	-	(195)
	-----	-----	-----	-----
Total	12,653	1,165	-	13,818
	-----	-----	-----	-----

25 POST BALANCE SHEET EVENTS

On 9 August 2013 the College signed a facilities agreement with Santander UK PLC to provide a £20m revolving credit facility and term loan to fund the Canal Parade development.

On 3 October 2013 the College received confirmation that its Outline Business Case application for a £20m grant from the Welsh Government to support the Canal Parade development had been approved and the College could progress to the Final Business Case stage. During the year the College had received £3m, the first tranche of the grant, to fund the purchase of the land at Canal Parade.

26 CAPITAL COMMITMENTS

The College had capital commitments of £40.6 million at 31 July 2013 (31 July 2012 - £0).

In March 2013 the College signed a £40.6m development agreement with Rightacres Property Co Ltd to deliver the Canal Parade campus.

In addition to the development cost the College has estimated that it may incur directly itself a further £4m on fitting out and other associated costs to bring the new Campus into use for September 2015. Approximately £500k of these costs were incurred to 31 July 2013 and are shown as construction work in progress in fixed assets. The remaining costs are authorised but not contracted at the balance sheet date.

CARDIFF AND VALE COLLEGE GROUP
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013
NOTES TO THE ACCOUNTS (continued)

27 RELATED PARTY TRANSACTIONS

Due to the nature of the College's operations and composition of the board of governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial reporting Standard 8, Related Party Disclosures.

28 AGENCY RECEIPTS AND PAYMENTS

Financial contingency funds

	2013	2012
	£'000	£'000
At 1 August	25	75
Welsh Government (WG) grants plus interest	730	730
Disbursements	(795)	(780)
	-----	-----
At 31 July	(40)	25
	-----	-----

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

The funds received were administered in accordance with the terms and conditions specified, the unused balances of the grants being invested in a separate interest bearing bank account.

Young Recruits Programme

	2013	2012
	£'000	£'000
Gross programme funding received	868	-
Wage subsidy payments made to employers	843	-
	-----	-----
Net College administration income retained	25	-
	-----	-----

During the year the College participated in the Welsh Government Young Recruits Programme (YRP), an initiative which is open to all eligible employers with Apprentices and aims to incentivise employers to recruit additional apprentices (aged 16-24) by providing a wage subsidy.

Payments for each Young Recruit participant consist of:

- A wage subsidy of £50 per week up to a maximum of £2,600 over a 12 month period; and
- An initial administration payment of £50 (for the first month) and thereafter an administrative payment of £15 for up to 11 months

The wage subsidy is paid by the College to the employer.

CARDIFF AND VALE COLLEGE GROUP
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NOTES TO THE ACCOUNTS (continued)

29 EXCEPTIONAL ITEM

2012/13 – transfer of Adult Community Learning staff from Cardiff Council to the College

On 1st January 2013 the Adult Community Learning provision was transferred from Cardiff County Council. Approximately 115 members of staff transferred to the College on this date with their rights, including pension entitlement, protected by the provision of TUPE legislation.

The exceptional item of £140k relates to the calculation, in accordance with FRS 17, of the net deficit of the pension assets and liabilities associated with 14 members of staff who are members of the Local Government Pension Scheme that have been transferred to the College's "notional" pension assets and liabilities for the purposes of FRS17 accounting.

However, it should be noted that the actuary Aon Hewitt has confirmed that at the triennial funding valuation as at 31 March 2013 they will make allowance for the transfer of assets and liabilities from Cardiff Council to Cardiff and Vale College on a 'fully funded' basis, i.e. the assets notionally attributed to the College will be set equal to the liabilities of the transferring members, calculated on an on-going funding basis at the date of transfer. There would therefore be no change in the deficiency of the College on the on-going funding basis as a result of the transfer. This approach is the standard approach adopted for such transfers of staff as set out in the Funding Strategy Statement of the Cardiff and Vale Local Government Pension Scheme and therefore the College's cash contributions have not been affected by this transfer. (see notes 6 and 22)

Prior year - 2011/12 – Merger costs

In the prior year accounts an exceptional item was disclosed in respect of the costs related to the merger and the Welsh Government funds that contributed towards the cost of merger related activity. In the accounts for the period ended 31 July 2012 the total funding received amounted to £356k (note 2) towards total merger related costs of £1,178k – of which £705k related to pay costs (note 6) and £473k non pay costs (note 8)

As a result of the size and nature of both of these items they are shown in the accounts as an exceptional item.