

Coleg Gwent

Adroddiad Blynyddol a Chyfrifon Annual Report & Accounts

2017/18



KEY MANAGERS, BOARD OF GOVERNORS AND PROFESSIONAL ADVISORS

Key Managers

Key Managers are defined as members of the College Senior Management Team (CSMT) and were represented as follows in 2017/18:

Name	Job Title
Guy Lacey	Principal and Chief Executive
Lynda Astell	Vice Principal (Resources & Planning)
Nicola Gamlin	Vice Principal (Curriculum & Quality)
Keith Backhouse	Director (Usk & Pontypool)
Ian Millward	Director (Crosskeys)
Gary Handley	Director (City of Newport Campus)
John Sexton	Director (Blaenau Gwent Learning Zone)
Mark Williams	Director (Finance)
Robert Bates	Director (Estates & Facilities)
Chris Smith	Director (Learner Services & Support)
Karen Williams	Director (Human Resources)
Ivan Gregory	Director (Quality)
Steven Owen	Director (Business Development)
Victoria Davies	Director (Curriculum & MIS)
Diane Clark	Director of ICT

Board of Governors

A full list of Governors is given on page 22 of these financial statements.

Mrs Marie Carter acted as Governance Officer throughout the period.

Professional Advisors and Bankers

External Auditors: PricewaterhouseCoopers LLP
1 Kingsway
Cardiff
CF10 3PW

Internal Auditors: Deloitte LLP
5 Callaghan Square
Cardiff
CF10 5BJ

Bankers: Lloyds TSB
Carlyle House
5 Cathedral Road
Cardiff
CF11 9RH

Solicitors: Hugh James Solicitors Eversheds LLP
Hodge House 1 Callaghan Square
114-116 St Mary Street Cardiff
Cardiff CF10 5BT
CF10 1DY

VAT Consultancy: PricewaterhouseCoopers LLP
1 Kingsway
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REVIEW OF 2017/2018

The members of the Corporation present their report and the audited financial statements for the year ended 31 July 2018. It should be noted that the financial statements are, prepared in accordance with Financial Reporting Standard (FRS) 102.

OUR LEGAL STATUS

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

The Corporation was incorporated as Gwent Tertiary College. On the 1 January 2000, the Secretary of State granted consent to the Corporation to change the College's name to Coleg Gwent, a name considered to better represent the broad range of provision offered by the College.

The audited financial statements cover the Coleg Gwent Group which, in addition to Coleg Gwent incorporates Coleg Gwent Training Ltd which commenced trading on 1 August 2017.

OUR VISION AND MISSION

The strategic direction set by the Corporation is driven by the needs of our learners. The strategic plan for 2016 to 2019 sets out the following Vision and Mission which is supported by five Key Priorities:

Vision

THE College of Choice.

Mission

Enhancing Life Chances.
Educational Excellence.
For All.

Public Benefit

The College is an exempt charity and is regulated by the Welsh Government as Principal Regulator for all FE Corporations in Wales. The members of the Corporation, who are trustees of the charity, are disclosed on page 22. In setting and reviewing the College's strategic objectives the Corporation has due regard for the Charity Commissions' guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:-

- High quality teaching and learning
- Widening participation and tackling deprivation and social exclusion
- Strong student support systems
- Strong links with employers

The delivery of public benefit is set out throughout this report of the Corporation.

Implementation of the Strategic Plan

The Corporation regularly monitors the performance of the College against its strategic and operational plans.

Within the approved plan for 2017/2018, the College identified five Strategic Priorities:-

1. Every learner will achieve their full potential
2. Every learner will experience excellent teaching learning and assessment
3. Every learner will receive excellent care guidance and support
4. The College will provide excellent leadership and governance at all levels
5. The College will ensure a sustainable future

These strategic priorities are supported by a number of strategic objectives which are, in turn, and for the purposes of monitoring in-year performance, supported by a set of Strategic Targets and Key Performance Indications (KPIs) approved by the Governing Body.

The following table summarises the College's performance against its KPIs for 2017/2018:-

	2017/18 Target	2017/18 Actual	RAG Rating
Student retention*	93%	93%	
Student attainment*	98%	93%	
Student success rate*	91% <i>Top decile</i>	86% <i>Top decile</i>	
WBL full framework attainment	90%	79%	
Student Attendance (NB: positive attendance)	90%	87%	
Full-time target (college, including EEP/CSol)	£32,191,651	£30,015,702	
Part-time target – college	£588,616	£2,662,587	
Community Education	£900,076	£976,139	
Total FE funding (College & Comm Ed)	£33,680,343	£33,654,428	
HE franchise – FT enrolments	665	567	
HE franchise – PT enrolments	271	287	
Work Based Learning	£1.3m	£1.4m	
Commercial Income	£2.5m	£2.0m	
Staff absence rate	<4%	3.74%	
'Operating' surplus (<i>Surplus before FRS102 pension charge and exceptional costs</i>)	£0.5m	£1.9m	
Current ratio	2.0	1.9	
Mainstream income as a % of income	82%	82%	
Staff costs as a % of income	70%	66%	

*to be confirmed in December

OUR FINANCIAL PERFORMANCE

Group

These financial statements reflect the results for the year ended 31 July 2018. The result for the year includes for the first time income and expenditure generated by Coleg Gwent Training Ltd.

College

The inclusion of a subsidiary company along with impairment accounting and the requirements for the accounting of pension costs (referred to later in this report) can make it difficult for the published accounts to present a clear view of the underlying financial performance of the College and changes year on year.

For the year ended 31 July 2018 the College's internal management accounts report a **£1,896k operating surplus** before taking into account the following:

- The non-cash element of the pension charge referred to later in this report - £2,588k
- The impairment loss on the College's current Pontypool campus - £302k
- Voluntary severance costs of £136k incurred by the College in relation to a small number of organisational changes.

This is a reduction on the £2,607k operating surplus in 2016/17 and reflects the increasing pressure of rising staff costs and below inflation increases in core income which will be a key consideration in future financial planning.

However, despite increasing costs pressures, this is an excellent result and builds on strong operating surpluses in recent years to deliver the planned increase in reserves set out in our financial strategy.

Taking the above into account gives a group deficit before other gains and losses of £1,130k and a total comprehensive profit of £6,572k after actuarial gains on the pension scheme of £7,705k and a decrease in endowment assets of £3k.

Treasury Policies and Objectives

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

The College has a separate Treasury Management policy in place. The policy was reviewed and a revised policy approved by the Corporation in June 2016.

The Group's cash balance at 31 July 2018 was £12.5m (2017 - £14.9m). During the year the Group invested £5m in capital resources for the benefit of learners and staff, detail of which can be seen later in the report.

The Group's net current assets have decreased from £7.5m to £6.7m.

Impact of pension costs on the group's results

The group's results are significantly affected by the volatility arising from the accounting requirements for post-employment benefits set out in FRS 102. This accounting standard requires the College to account for the cost of its commitment to the Local Government Pension Scheme (LGPS) in respect of its business support staff. Accordingly, the charges to the income and expenditure account and the liabilities shown on the balance sheet are impacted by changes in actuarial assumptions and market movements in respect of the assets held by the pension scheme – both of which are outside the control of the College. The deficit for the year includes non-cash costs of £2.6m (2017 - £2.6m) arising as a result of accounting for the LGPS in accordance with FRS102. The LGPS pension provision recognised on the balance sheet has reduced in the year by £5.1m to £28.4m (2017 - £33.5m).

The pension deficit of £28.4m has a significant impact on the College's balance sheet, creating negative assets of £1.4m (although this has reduced significantly from negative assets of £8m in 2016/17).

However, 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.

Impairment of Assets

Accounting standards require the carrying value of assets to be reviewed each year to ensure the value is supported by future cash flows and recoverable amounts. Where this is not the case, for example, due to a decision to retire an asset earlier than expected, an impairment charge is recognised on the Income and Expenditure account.

In December 2017 the Welsh Government approved the closure of Torfaen Count Borough Council's sixth forms and by default their transfer, along with activity from the current Coleg Gwent Pontypool campus, into the new Post 16 centre in Cwmbran which will be governed and managed by Coleg Gwent.

This decision, in effect, creates a 'point of no return' for the College's proposed closure of its Pontypool campus. These accounts have therefore recognised an impairment of the Pontypool campus with a net £302k impact on the income & expenditure account in 2017/18 with a further £1m to be accounted for in the 2018/19 and 2019/2020 financial statements.

Payment Performance

The College has standard 30 day payment terms with the majority of its suppliers and is in line with the requirement of the Late Payment of Commercial Debts (Interest) Act 1998. The supplier is made aware of these terms by issuing a copy of the College's terms and conditions with each purchase order.

The calculation of payment performance, as originally prescribed in the Accounts Direction, is based on the year-end creditor figure and at 31 July 2018 was 23 days (2017 – 16 days).

Coleg Gwent Training Ltd.

As part of the drive to grow commercial income, Coleg Gwent Training Ltd commenced trading on 1 August 2017. The commercial activity within Coleg Gwent was transferred to the subsidiary with the aim of substantially growing the business through the development of the 'Open' course commercial programme and a bespoke training offer to businesses to meet their specific requirements. Activity has been supported through a European grant from Welsh Government, 'Upskilling at Work', which is delivered through the subsidiary and has significantly impacted on the bottom line as a large proportion of the sales and management team costs are charged against the grant.

2017/18 saw the consolidation of existing courses (previously delivered through the College) along with the development and delivery of new courses in a number of areas, including digital sales and marketing, cyber security, GDPR and health and social care. Much of this activity was generated through improved employer engagement, facilitated by the College's Employer Forum structure.

During the first year of trading, sales have been lower than anticipated due to difficult market conditions, reduced capacity within the sales team, the impact of VAT on the pricing structure for small traders and the set up activity diverting effort from core business to ensuring a robust website and CRM for future digital campaigns.

Whilst the lower sales activity has driven some cost savings in the year, cost reduction activity has been limited and a focus has been on growing future business. As a result, the company is reporting an operating deficit for the year of £373k (£437k deficit when actuarial pension losses are included).

The focus moving forward will be:

- Implementing new courses.
- Streamlining costs.
- Ensuring sharper selling and targeting from marketing.
- Leveraging the benefit gained from the new website and course material.
- Ensuring smarter forecasting.
- Embedding the regional sector structure within the sales team

Events after the end of the reporting period

In October 2018, the High Court determined, in a case involving Lloyds Bank, that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. The Trustees of the Greater Gwent and Torfaen Scheme are now reviewing, with their advisers, the implication of this ruling on the Scheme and the equalisation of guaranteed minimum pensions between men and women in the context of the rules of the Scheme and the value of any additional liability.

OUR LEARNERS

Learner Numbers

In 2017/2018 Coleg Gwent was the college of choice for 17,806 learners including;

- 7,190 learners on full-time courses
- 854 learners on higher education courses
- 614 apprentices
- 3,209 adults studying on a part-time basis
- 2,807 learners studying through franchise arrangements in the community.
- 3,216 learners studying Welsh through our Welsh for Adults centre.

The Diversity of our Learners

The College enrolls a diverse student population which broadly reflects the communities served by its campuses, the five county Community Education franchises and its WBL programme. In 2017/2018, 7.53% of our learners were from BME groups and 14.76% of learners declared themselves as having a disability and/or learning difficulty.

The College serves a higher proportion of learners from areas of high deprivation compared to the most recently available sector average (50% against a sector average of 49%)

Learners from all deciles perform well on every measure and this is consistent across the categories. Comparing outcomes for learners from deciles 1 (82%) with deciles 5-10 (87%), the difference in success rate is 5% for the College. Deciles 2 and 3 have success rates of 83% and 84% respectively, which again emphasises how close the outcomes are across the deciles. This provides clear evidence that the College supports its learners well and has strategies in place that successfully compensate for the potential negative impact of deprivation on learning.

Males account for 51.3% of the college's learners in 2017/18. Overall there is a 2% differential in success rates by Gender, Females achieved 86% Success rates whilst Males recorded successful completion of 84%.

Outcomes across age profiles are very close with learners from the 16-18 age range recording success rates of 85%, Learners aged 19 and above achieved 86%. 78.3% of the College's learner population comes from the 16-18 age range.

Funding Targets

During 2017/18 funded learner activity reached 100.2% of the Welsh Government target with both ring-fenced allocations, with Enhanced Engineering Programmes (EEP) and Skills Priority significantly exceeding target and offsetting a slight underperformance on mainstream activity.

The College manages its learner recruitment carefully in order to deploy its allocated funding. There is however significant demand for training and education, particularly among adults that the College is unable to meet. Additionally the College significantly over delivered against its allocation of Apprenticeship funding from the B-wbl Consortium in order to meet the needs of key regional employers.

Learner Outcomes

The College is extremely proud of how well learners achieve. We are confident that for 2017/18, main qualifications will achieve successful completion rates of at least 85% against a College target of 88%. This is very likely to maintain the College's position as one of the top performing colleges in Wales. The Community Education franchise sustained excellent success rates at 90%.

It was particularly rewarding to note the results of the Welsh Government 2016/2017 Learner Outcome Report for FE colleges across Wales. In comparison with the outcomes from the other 12 FE Colleges in Wales, Coleg Gwent performs strongly. For the 'Main Vocational Qualification' success rates Coleg Gwent rank joint 1st in the sector. In the combined 'All Main Qualification' success rates category Coleg Gwent again ranks joint 1st.

The college is categorised as 'excellent' for both '*ALL qualifications*' and for '*ALL MAIN qualifications*' at 87% and 85% respectively: one of only 5 colleges to achieve this. Overall success rates for '*ALL MAIN qualifications*' across the FE sector range from 78% to 85%.

The college is the highest performing college in terms of achieving categorisations of 'excellent' in ALL MAIN, with 11 of the 21 subject areas categorised as 'excellent'. This accounts for 55% of the college's provision categorised as 'excellent'. In total, the college had all subject areas categorised as either 'excellent or 'good'. In addition, 11 of the 21 subject areas performed above the national comparator.

The College is also delighted with the 2017/18 A Level results. Across Coleg Gwent 412 students, who sat more than 1,000 A Level examinations between them, achieved an impressive cross-college pass rate of 98.1% which is above the Wales and UK national comparator for the third year running.

Crosskeys Campus students had excellent results with an overall pass rate of 98%. The pass rate for grades A*-C was 75.2%. Thirty-two subjects at the Campus had a 100% pass rate.

Students at the Blaenau Gwent Learning Zone (BGLZ) campus in Ebbw Vale also achieved a 98.7% overall pass rate, 1.0% above the Welsh average and 0.8% above the UK average. The pass rate for grades A*- C was 74.4% which is almost 1% higher compared to the previous year.

47 out of the 412 (11%) Coleg Gwent students sitting their A Levels got at least one A* grade while three students attained 4 A*/A Grades and twenty students were awarded 3 A*/A grades.

The College anticipates full framework success in work-based learning to achieve 80% against a target of 90%. This is an area where there will be a sustained focus on quality improvement in 2018-19.

CURRICULUM DEVELOPMENT

The college progressed a number of exciting new curriculum developments in 2017/18. Working with the Career Colleges Trust, the college became the first and only provider in Wales to be an accredited Career College, establishing one route in Health and one route in Digital. The Career Colleges Trust provides a range of specialist services and support to help providers design and run specific areas of provision which closely align to career pathways. The College is able to utilise the links, resources and expertise of the Trust to develop an employer-designed curriculum which develops the skills required by a specific sector and consequently creates a 'talent pipeline' into specific industries. The two Career Colleges established by the College correspond to two of the regional skills priorities sectors.

The college also secured accreditation by the National Skills Academy – Rail (NSAR) to become the only NSAR accredited provider in Wales. The NSAR is a membership organisation for the rail industry established in England to represent employers in training matters and quality assure qualifications that the industry needs. The NSAR invites colleges to become members that have strong quality profiles and are strategically located to provide the industry with sufficient training coverage. The benefits of membership are that it will allow the College to develop a curriculum specialism for a national industry as part of a select group of colleges and training providers. The NSAR supports this development and provides the rail industry with information about the College. This development has come about at a time when Welsh Government have approached us to support a large inward investment project in this sector that they have been working on.

The College continues to develop its advanced engineering provision with a new composites centre at the Blaenau Gwent Learning Zone campus. This supports the development of higher level Aeronautical and Motorsport Engineering provision developed at this site. Working closely with employers will support this area where upskilling is much needed.

The college continues to prioritise skills development of full-time learners. All learners studying a two-year Level 3 qualification study the Skills Challenges of the Welsh Baccalaureate (WBQ) qualification. All other full-time learners study a Skills Activities programme which the college has developed in partnership with Agored. This focuses on the development of employability skills, ensuring that all full-time learners have the opportunity to develop the skills needed to support their positive progression.

The college also prioritises the development of Maths and Welsh/English to level 2 for all full-time learners. The curriculum is designed to enable all learners to work towards the achievement of GCSE in these subjects over an appropriate timescale, depending on their GCSE qualifications on entry.

The College has continued to make excellent progress to develop and extend its HE provision. Progression pathways are available in almost every subject area and HE numbers have continued to grow, placing the College as one of the biggest HE in FE providers in Wales. The new Foundation Degree in Veterinary Nursing has been very successful, attracting learners from further afield. The College has now secured a formal partnership with the University of Worcester and also with Aberystwyth University, offering a number of exciting new Foundation Degrees in Health, Agriculture and Equine Studies.

The college was inspected by Estyn in April 2018 as part of the pilot of the new inspection framework. Feedback from Estyn was very good, judging the College as at least Good in everything it does. Estyn praised the College on its support for learners, particularly vulnerable students and noted the College's increasing success rates for vocational main qualifications, which are higher than the national average, for the third year running. The College was also commended for ensuring that learners have suitable progression routes by incorporating feedback from local employers and regional skills priorities into their planning.

INVESTMENT IN OUR STAFF

Following the results of our whole college **Employee Engagement Survey** which took place during December 2016, considerable additional investment in staff took place during 2017/18

The College rolled out an ambitious **Leadership Development programme** for all Management staff, the attendance of which was completed by December 2017 and was unanimously well received.

Investment was further evidenced in a fabulous relaunch of the **College Excellence Awards**. This year we introduced some new categories of awards reflecting for example digital innovation and the achievements of business support and contractual partners as well recognising the excellent work of our teaching staff. We were delighted to host a total of 200 staff, all of whom were nominated for their excellence in a variety of capacities and the Principal awarded a total of 15 Recognition Awards.

SPP Funding allowed significant investment in upskilling our teaching staff and also gave rise to an opportunity to apportion some funding to a piece of work on Skills mapping.

We are currently compiling a **Skills Matrix** of all Teaching staff focussing initially on the Skills Priority Groups. This will enable us to easily identify where to focus future development, in particular when allocating further grant funds. It will also assist the matching of skills to Lecturing requirements, enabling us to secure maximum advantage from the expertise of our staff.

Other initiative have included a new on line **Corporate Induction** which was launched bi-lingually in March.

Staff pay and remuneration

The Governing Body recognises that the success of the College is based on the hard work and contribution of its staff and that it is essential that they are rewarded fairly and reasonably, within the confines of relevant national agreements and legislation and subject to affordability. The Governing Body also recognises the importance of transparency and equality in decisions regarding pay and remuneration and complies with requirements to publish information on such matters.

Under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, all organisations that employ over 250 employees are required to report annually on their gender pay gap. The gender pay gap is the difference in the average and median pay between men and women in a workforce at a single point in time.

We can report our gender pay gap (based on a snapshot of staff data as at 31 March 2018) as follows:

	% difference between female and male hourly rate of pay
Mean pay (average)	8.13%
Median pay (mid-point)	14.0%

It should be noted that a gender pay gap does not equate to the existence of an equal pay problem. The College firmly believes that its structured pay and reward systems, and the measures it has undertaken in relation to these, has meant that pay for men and women performing equal work is aligned to pay system and structures and not dependent on gender.

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

- As part of the National Agreements in place between Colegau Cymru as the employer representative and the Joint Trade Unions all staff directly employed by the College are:
 - employed on “common contracts” agreed with the Joint Trade Unions under which staff are entitled to pension and holiday arrangements that represent a substantial part of their “total remuneration”;
 - paid, as a minimum, in line with the Living Wage
 - receive annual pay awards arising from national Welsh FE sector negotiations with the Joint Trade Unions; and
 - in respect of teaching staff, are paid on a common pay scale with nationally agreed procedures for incremental increases up that pay scale.
- In respect of business support staff, in the absence of a national pay scale or grading system, the College some years ago implemented in consultation and agreement with local trade union representatives a job evaluation process.

Equality and Diversity

Within the College, staff data is reported by:

- Gender
- Age
- Disability
- Sexual Orientation
- Religion
- Nationality
- Ethnicity

- Welsh Language
- Applications
- Successful Applicants

In particular the college is keen to understand where applicants with protected characteristics

- do not apply for employment, or where fewer apply than may be expected
- are appointed in a significantly lower proportion than their applications
- are underrepresented in job groups or grades
- are concentrated in certain job groups or grades
- are disproportionately disciplined or raise grievances

We employ more females (58.9%) than males (42%) in nearly all post categories and across the College as a whole. This is indicative across most FE colleges and the teaching profession

The AOC reported in March 2017 that 63% of college employees in England are female and 36% are male.

The biggest differential is seen in the Business Support posts which are typically administrative and attract more female applicants. Also part time term time contracts are largely female.

We are pleased to promote a flexible working pattern which allows staff of either gender to be at home during school holidays, however typically more females chose to take responsibility for family commitments.

We intend to investigate how we can attract more male applicants and appointments.

Over 63.7% of staff are aged over 40 rising to 80% in respect of the Management population.

The figures indicate that whilst experience is valued in all College roles, there is an opportunity to be gained from taking steps to address the balance of age across all functions.

We are an equal opportunities employer and appoint on the basis of skills and ability to do the job. 1.7% of staff have declared themselves to be Gay, Bisexual or other and across the College diversity is welcomed and open.

We launched a Transgender policy this year for staff and learners in 2018.

In order to further raise awareness and encourage staff to feel safe in being open about their preferences we will organise an annual communication or event to offer support and to remind staff of the College Equality and Diversity commitment.

Whilst 95.4% of our staff are white our percentage of staff from non-white backgrounds is above the local population ethnicity statistics except for our City of Newport Campus where we are significantly under represented.

We will actively seek to increase recruitment of staff from ethnic backgrounds particularly in the City of Newport Campus by establishing links with communities and groups who may be able to encourage applicants from under represented sectors.

Disability 17/18	Full time	Part Time	Hourly Paid	Term Time Full Time	Term Time Part Time
No	97.1%	89.1%	86.1%	83.2%	88.1%
Not Specified	3.3%	5.7%	9.5%	8.4%	7.8%
Yes	5%	5.2%	4.4%	8.3%	4.1%

We offer support through a variety of measures and reasonable adjustments to any staff or new recruits who declare a disability. We work closely with Remploy to offer work opportunities to those with a disability which has led to permanent employment with the College. We will continue to nurture this relationship.

The profile of staff who declare a disability is not reflective of the population. The College is continuing to improve the data in this area to assist in providing the appropriate support if required.

The College seeks to encourage diversity amongst all its learners, staff and visitors, recognising the particular contributions to the achievement of the College's mission that can be made by individuals from a wide range of backgrounds and experiences.

INVESTMENT IN OUR ESTATE & FACILITIES

A very wide range of projects have been undertaken during 17/18 to improve facilities for learners and to replace some infrastructure. Key projects were:

- The completion of a new £2.5M Learning Centre at the Usk Campus in which a range of new teaching and technical approaches are being trialed in readiness for the Cwmbran development.
- The creation of a new HE Hub at the Usk campus to provide study and relaxation spaces for the HE learners.
- A remodelling of the entrance to the Animal Care facility at Usk to make the building more outwardly focused, to create new animal enclosures, a new office and improved natural light to better reflect expectations of such a facility.
- A major roll out of new data infrastructure and wifi access points at every campus except Pontypool.
- Remodelling of a range of rooms at the Crosskeys Campus and relocation of a number of staff groups and performing arts provision to enable A Block to be mothballed. This block was providing a poor environment for learners and staff.
- Refurbishment of rooms in R Block in Crosskeys and new ICT equipment to facilitate a new Foundation Degree in Illustration.
- Replacement of heating infrastructure to J&K Blocks at Crosskeys and a new boiler to Z Block.
- A major refurbishment of Z Block at Crosskeys including new windows, flooring and decoration.

- The provision of new external seating and canopies at the front of the Newport Campus to provide better facilities for learners and improve the image of the campus when approached from the main car park.
- Refurbishment of 2 flexible staffrooms at the Newport Campus, using a new approach to staff accommodation with staff mobile devices.
- The remodelling of rooms at the Newport Campus to co-locate the marketing and admissions teams to reflect the new staffing structure.
- The provision of a new Digital Technology suite of rooms together with supporting Welsh Government equipment in B Block at the City of Newport Campus.
- A first phase of fire door replacement works at the Newport and Crosskeys campuses and refurbishment of some WCs.
- The creation of new workshops at the Blaenau Gwent Learning Zone for the teaching of composite materials technology and to support the new Motorsports course.

The main focus for 2019 will be planning for the relocation of curriculum and staff from the Pontypool campus to Cwmbran or to existing campuses. Also the procurement and fit out planning for Furniture, ICT and Equipment for the new centre, applying the lessons learnt from the Usk LC development and the technology Strategy. Finally, masterplanning will commence this year for the catering and visitor attraction development at Usk.

PARTNERSHIPS

The College remains a key stakeholder on behalf of the FE sector in the South East Wales regional learning partnership. During the course of the year, this partnership, formally known as the Learning, Skills & Innovation Partnership (LSKIP), rebranded as the Cardiff Capital Region Skills Partnership, to reflect the role it now fulfils in this important programme. This partnership is also increasingly important to the FE sector, as it advises the Welsh Government on broad FE funding priorities. The Principal of Coleg Gwent is a member of the CCR Skills Partnership and the Vice Principal for Curriculum and Quality has led a task and finish group aimed at improving the value of the information supplied to WG.

The College continues to be the lead partner in a consortium of colleges in South East Wales that has secured funding of over £1.9m of Skills Priorities Programme (SPP) from the WG. The funding aims to increase the capacity and capability of colleges to meet the higher level skills needs of employers in the region, and this has helped support a number of developments, particularly in the area of advanced materials.

The partnerships that support the delivery of the European Social Fund (ESF) funded projects continue to mature and provide further value to the College, learners and local employers. The Inspire2Achieve projects, which are led by Local Authorities, involve a number of regional partners and aim to support learners that are most at risk of becoming NEET. The Upskilling@Work projects are led by Coleg Gwent and Coleg y Cymoedd and are collaborations of FE partners in South East Wales and Powys. These projects provide subsidised training to employers. During the year these projects have all been successful in gaining further funding to increase the duration of the activities up to 2022 in some cases.

The Newport Knowledge Quarter partnership with Newport City Council and the University of South Wales continues. The project partners are working together on a joint masterplan for the Knowledge Quarter, which aims to relocate the City of Newport Campus into the city centre, integrated with University and Council Library provision. The partnership team is

also working closely with the Welsh Government to take the project forward using the Mutual Investment Model (MIM) funding route.

The College has also enjoyed a strong partnership with Torfaen County Borough Council (TCBC) on the plans for a post-16 centre in Cwmbran. The project, which is led by TCBC and part funded by WG, has overcome a number of significant challenges during the year and a major milestone was achieved in July, with the granting of the planning permission for the building. The College looks forward to continuing this relationship with TCBC and taking occupancy of the new facility in 2020.

This year also saw the development of a successful partnership between the College, the Welsh Government, the Ebbw Vale Enterprise Zone (EBEZ) and a strategically important local employer to develop specialist training in composite materials. The College received WG funding through both the EBEZ and SPP programme to create a new composites training centre at the Blaenau Gwent Learning Zone and to train staff in the delivery of a bespoke course that meets the employers skills needs. Training is programmed to commence in the autumn term and it is anticipated that this development will lead to further growth in advanced materials training that will support more employers and benefit full time learners.

HEALTH, SAFETY AND SUSTAINABILITY

The College has a long-standing commitment to act in a responsible, safe and sustainable manner. The college has made a commitment to embed sustainability as a core principal of the college and make significant year on year improvements in the management of health and safety. This has been achieved by implementing sector leading health and safety management systems, policies and procedures. Due to the commitment of the college and the successful implementation of the policies and procedures the college has continued to reduce its accident rate, minimise its insurance premiums and ensure legal compliance.

ENVIRONMENTAL PERFORMANCE

During 2017/2018 the College achieved the following environmental performance goals:

- It successfully maintained its accreditation of ISO 14001:2015 Environmental Management Standards. The college still remain the only Welsh Further Education College to hold the management standard.
- The College continued to apply the waste hierarchy and as a result continued to meet its target of 'zero waste' to landfill by recycling 78% of the total waste produced with 22% converted to energy using Energy from Waste (EfW) technology.
- The College currently has 18 buildings meeting the requirement to display energy certificates, with the average operational energy rating for those college buildings calculated at 74 equating to an average energy rating of Category C.
- Through the Advanced Metering, Monitoring and Targeting (AMM&T) the College was able to accurately monitor its energy consumption. The combined energy consumption for 2017-18 equated to 11,696,868 kWh producing 3,584,131 kg of CO₂
- Due to the continuous improvements in energy and waste management the total carbon emissions for the College equated to 3,929,036 Kg/CO_{2e}. This has ensured that the College has continued with its commitment of reducing its CO₂ and Greenhouse Gas emissions.

- The College continued to play an active and significant role in supporting its local communities through the development of collaborative partnerships and student engagement programmes with Cynnal Cymru, Keep Wales Tidy, SEWTA, Carbon Trust, Plan-it Eco and the Woodland Trust.

During 2017/2018 the College has continued with its commitment of continuous environmental improvement by further developing its environmental management systems and embedding the Welsh Governments core principles for sustainable development.

FUTURE PERFORMANCE

Key Performance Indicators

The Corporation has agreed the following high level KPI targets for 2018/2019:-

These KPIs are underpinned by a comprehensive matrix of operational targets driven through departments and monitored regularly.

	2018/19 Target
Student retention	93%
Student attainment	95%
Student Success Rate	88%
WBL full framework attainment	85%
Student Attendance	89%
Full-time target	£31,200,564
Part-time target – college	£2,306,251
Community Education	£904,317
Total FE funding	£34,411,132
Overall Learner Satisfaction	95%
Staff absence rate	<4%
Teaching staff utilisation	90%
Performance Review Completion Rate	80%
Operating surplus	£535k
EBITDA	£3,226k
Current ratio	1.74
Mainstream income as a % of income	82.13%
Staff costs as a % of income*	67.98%
ISO 14001:2015 - Environmental	Compliant

FUTURE PRIORITIES & OPPORTUNITIES

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.

These include:-

Strategic Capital Investment

A revised Estates Strategy was approved by the College's Board in July 2017 which prioritises a new City Centre campus in Newport, continues to support Torfaen CBC over the potential development of a post-16 centre in Cwmbran and effectively priorities capital funding opportunities to deliver a sustainable estate which effectively supports our curriculum.

Reputation

Maintaining a quality brand is essential for the College's success at attracting students and developing external relationships and the College is giving a priority focus to ensuring that its successes are recognised amongst its key stakeholders. This is a recognition of the importance of high quality external communications.

Modern Slavery Act

The College, is fully aware of its obligations and the requirements of the Modern Slavery Act and will review and amend policy where necessary to ensure full compliance.

Business Development, Employer Engagement & Commercial Growth

The College is expanding its business development activities to better meet the need of employers, secure sustainable growth in commercial income and to identify and develop new commercial opportunities.

2018/19 will see a full review of Coleg Gwent Training Ltd's first year of trading with a renewed focus on how the College can best meet its need to grow non-core income along with creating an effective Employer focus.

Higher Education

We also continue to develop our HE portfolio, with further growth anticipated and the introduction of new programmes. We will also continue to develop our relationship with two new HE partner institutions – Aberystwyth University and the University of Worcester.

Financial Health

The College will continue to focus on maintaining and improving financial health.

Through the 2017/2018 Financial Health self-assessment the College has once again, assessed its Financial Health as excellent and this provides us with a firm foundation for implementation our future strategic priorities.

FUTURE UNCERTAINTIES & RISKS

Funding

Throughout 2018/19 the Welsh Government will continue to work with Colleges to bring about a change to the way that FE Colleges in Wales are funded.

The changes to the methodology are significant and will be implemented for the 2019/20 year.

Whilst there is still work to do to finalise the new methodology the impact of the changes on Coleg Gwent is likely to be positive. This is a consequence of us fighting to increase our 'market share' of 16-19 year olds in the face of steep demographic decline, combined with very significant reductions in part-time adult learning over a number of years. The model showed an estimated 2.9% increase in allocation which would represent a significant increase in part-time learning being delivered. Welsh Government officials have listened to the feedback they received from colleges and are working on a further modelling. It is accepted that given the very significant moves in funding for some providers a period of transition is required. But it has been emphasised that the underlying direction of the new methodology will not change. The College is expecting to receive its confirmed allocation for 2019/20 in January 2019.

Collective Bargaining

The Colegau Cymru representatives have continued dialogue with Welsh Government around the issue of settling the 2018/19 Joint Trade Unions pay claim. The WG have now settled the school teachers' claim with a headline increase of 3.5% funded by an additional £23.5m. However this is applied variably to unqualified trainees, teaching assistants and Main Grade (3.5%), Upper Pay Spine (2%) and Leadership posts (1%). There is a desire in WG for FE to preserve 'pay parity' with schools. Discussion with Welsh Government continues and it is hoped that additional funding to support a pay increase will be secured. However, staff costs may continue to increase significantly in the coming year. The Government review of the Teachers' Pension Scheme has indicated that employer contributions are set to rise from 16.5% to 23.5% in September 2019 which will have a significant impact on Colleges.

Risks

The College has a well-established and robust process for identifying and monitoring risk and this is embedded within the College's Operational Business Planning cycle and is ultimately overseen through regular reporting to the College's Audit Committee and to the Board.

There are no risks with a High Residual Risk rating although all risks will be closely monitored closely throughout the year and appropriate mitigating actions taken.

STAKEHOLDER RELATIONSHIPS

The College has worked hard to establish productive relationships with stakeholders.

These include:-

- learners
- staff
- local employers
- local Authorities
- Welsh Government (WG) Ministers (AMs) and Members of Parliament (MPs)
- WG officials
- the local community
- HE partner institutions
- other FE institutions
- trade unions
- professional bodies

The College engages in regular communication with stakeholders through regular meetings, written, electronic and verbal communication.

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.

**GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY
AND COMPLIANCE WITH WELSH GOVERNMENT TERMS AND CONDITIONS OF
FUNDING.**

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

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

Signature:- 
Chair

Date:- 18.12.18

Signature:- 
Principal/Chief Executive

Date:- 18.12.18

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The purpose of this statement is to help the reader of the accounts understand how the principles of the UK Corporate Governance Code (in so far as it applies to the FE sector) have been applied. The College is committed to best practice in all aspects of corporate governance and operates with due regard to the principles of the UK Corporate Governance Code. The Corporation Board has also adopted and complied with the Code of Good Governance for Colleges in Wales and conducts its business in accordance with the seven Principles of Public Life: selflessness; integrity; objectivity, accountability, openness, honesty and leadership.

In the opinion of the Governors, the College complies with all the provisions of the UK Corporate Governance Code in so far as they apply to the further education sector, and it has complied throughout the year ended 31 July 2018.

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

The Corporation Board

The members who served on the Corporation during the year to 31 July 2018 are shown in the table on the next page.

It is the Corporation's responsibility to bring independent judgement to bear on issues of educational character, strategy, performance, resources and standards of conduct. The Corporation is provided with regular and timely information on the overall financial performance of the College, together with other information such as performance against key performance indicators, capital expenditure proposals, quality issues and human resources matters, including health and safety and environmental issues. The Corporation Board met eight times in 2017/18.

The Board also conducts its business through sub-committees, each of which have terms of reference approved by the Corporation. These committees are:

- Audit Committee
- Remuneration Committee
- Search Committee

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to meetings.

All governors are able to undertake training in relation to their duties as a governor and have access to the Governance Officer, who is responsible to the Corporation Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Governance Officer are the responsibility of the Corporation Board.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The Corporation Board has a strong and independent non-executive element and it considers that each of its non-executive members is independent from management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is clear division of responsibility in that the roles of the Chair and Principal/Chief Executive are separate and all Governors recognise the division between management and governance.

The Members of the Corporation who served the institution during the period ended 31st July 2018 were as follows:

Name	Date of first appointment	Term of Office	Date of resignation	Status	Board attendance	Roles/Committees served	Committee attendance
Angela Lloyd	01.08.2008 Reapp 01.08.2016	3 years	Retired 31.07.18	Independent	8/8	Chair of Governors Search Committee (Chair)	Search 4/4
Mark Langshaw MBE	01.08.2016	3 years	-	Independent	6/8	Vice Chair of Governors Search Committee	Search 4/4
Guy Lacey	01.08.2015	N/A	-	Principal/Chief Executive	8/8	Search Committee	Search 3/4
Hilary Aldridge	01.04.2018	3 years	-	Independent	3/3	-	-
Hamed Amiri	01.04.2018	3 years	-	Independent	2/3	-	-
Susan Ball	01.04.2018	3 years	-	Independent	2/3	Search Committee	Search 2/2
Anthony Bassett	01.01.2018	3 years	-	Independent	3/5	Audit Committee	Audit 2/2
Alan Brown	01.06.2017	3 years	Resigned 09.01.18	Independent	2/3	Audit Committee	Audit 1/1
Richard Brown	01.08.2016	3 years	Resigned 30.04.18	Independent	4/5	Audit Committee	Audit 1/2
Sam Chapman Skinner	01.01.2018	1 year (calendar)	-	Student	3/5	-	-
Jack Ford	01.08.2017	1 year (academic)	Retired 31.07.18	Student	6/7	-	-
Lucy Gambarini	01.01.2009 Reapp 01.08.2017	4 months	Retired 31.12.17	Independent	2/3	Search Committee	Search 1/1
Darragh Hanley- Crofts	01.08.2017	3 years	-	Independent	7/8	Audit Committee	Audit 3/3
Danielle Horrigan	01.01.2018	3 years	Resigned 18.06.18	Independent	3/4	Search Committee	Search 1/1
Sian Hughes	01.10.2015	3 years	-	Staff	6/8	-	-
John James	01.08.2016	3 years	Resigned 21.03.18	Staff	2/5	-	-
Jo McCafferty	01.08.2016	3 years	Resigned 23.01.18	Independent	2/3	Search Committee	Search 1/1
Elizabeth Swaffield	01.06.2017	3 years	-	Independent	7/8	Search Committee	Search 3/4
Martin Veale	01.04.2015 Reapp 01.05.2018	3 years	-	Independent	7/8	Audit Committee (Chair)	Audit 3/3

External Members that served on the Corporation's committees in the period were:

Paul Davenport	01/12/2015	3 years	Independent	External Co-opted – Audit Committee	Audit 3/3
Gareth Watts	01/11/2015	3 years	Independent	External Co-opted – Audit Committee	Audit 3/3

Mrs Marie Carter acted as Governance Officer to the Corporation

Diversity Statistics for the Corporation are as follows:

Diversity Indicator	July 2018	July 2017	July 2016
Gender	31% female	40% female	62% female
Ethnicity	8% BME representation	0% BME representation	0% BME representation
Average age	44 years	52 years	52 years
Disability	0 members with a declared disability	0 members with a declared disability	1 member with a declared disability
Welsh speakers	1 member	1 member	0 members

The Search Committee regularly reviews diversity and skills data for the Board and has broadened the range of recruitment methods used to reach a wider audience. The key focus of recruitment at all times is to maintain a balance of skills, knowledge and experience that ensures the Board is equipped to effectively fulfil its responsibilities.

At its July 2018 meeting, The Corporation Board approved a new Strategic Equality Plan which includes a commitment from the Board to support its aims. The Corporation has undertaken to collect a wider range of diversity data on its members from 2018-19 onwards.

Appointments to the Corporation

All new appointments to the Corporation Board are a matter for the Corporation Board as a whole. The Corporation Board has a Search Committee which is responsible for the selection and recommendation for appointment, of all new members. No appointment is approved by the Corporation Board without reference to the advice and recommendation of the Search Committee.

The Corporation is responsible for ensuring that appropriate training is provided, based on a variety of indicators, including an annual skills survey which is reviewed by the Search Committee. Training needs are also considered as an annual item on all committee agendas.

Other than the Principal/Chief Executive and two Student Members, Governors are appointed for a term of three years, but may be re-appointed to serve up to a maximum of three terms, or nine years. Student Governors each serve a one year term. Re-appointment is not automatic and is subject to recommendation by the Search Committee, based on attendance, value added to the Board and the need to maintain an appropriate balance of skills, expertise and experience.

Search Committee

The committee comprises six Governors whose purpose it is to advise the Corporation on the appointment of new members to the Corporation or its committees and to monitor the diversity and skills profile of the Board. During 2017/18 the committee met four times.

Remuneration Committee

This advisory committee has five Members which includes the Chair and Vice Chair. The committee usually meets just once a year to consider and make recommendations to the Corporation Board in respect of salaries and terms and conditions relating to the four senior postholders – the Principal, two Vice Principals and the Governance Officer. Relevant information about the remuneration of the senior postholders is set out in Note 7 to the financial statements. The Remuneration Committee met in March 2017 and took into account

performance reviews, benchmarking data for senior post holder salaries and the pay settlement for staff. The Board subsequently approved a pay award for senior post holders.

Audit Committee

The Audit Committee comprises of four members of the Corporation and two external members. Membership excludes the Principal and Chair or any senior staff with significant financial responsibility, but the Principal and Vice Principal (Resources & Planning) attend all meetings at the request of the committee. The committee operates in accordance with written terms of reference approved by the Corporation Board.

The Audit Committee meets a minimum of once per term and met on three occasions in 2017/18. It provides a forum for reporting by the College's internal and external auditors, who have access to the committee for independent discussion, without College management present. The committee also receives and considers reports from the Welsh Government as they affect the College's business.

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

Management are responsible for the implementation of agreed audit recommendations and the College's internal auditors undertake periodic follow up reviews to ensure that all recommendations have been implemented.

The College has a robust risk management policy and monitoring process and a risk update, based on the College's risk register, is provided to the Audit Committee at each of its meetings. In addition, the committee receives an update at every meeting on the performance of externally funded projects.

The Audit Committee also advises the Corporation Board on the appointment of internal and external auditors and their remuneration for both audit and non-audit work. A comprehensive tender exercise was undertaken in May 2017, following which PwC were re-appointed as external auditors for a three-year contract from August 2017 and Deloitte were re-appointed as internal auditors for 2017/18 only. Following a further tender exercise in 2018, TIAA (contracting to Navigant Consulting) have been appointed to provide internal audit services from August 2018 on a two-year contract.

Internal Control

Scope of responsibility

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

The Corporation Board has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control. He must ensure that the system of control supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between

Coleg Gwent and the Welsh Government. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Coleg Gwent for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation Board has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation Board is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation Board.

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- Regular reviews by the Corporation Board of periodic and annual financial reports, which indicate the financial performance of the College and its component parts against forecasts
- Setting targets to measure financial and other performance
- A College Monitoring Group meets on a regular basis to monitor performance against Key Performance Indicators and agree remedial actions where necessary
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate
- Reports on progress in monitoring risk, based on the risk register, provided to the Audit Committee at each of its meetings

Coleg Gwent has an internal audit service, which operates in accordance with the requirements of the Welsh Government. The work of the internal audit service is informed by an analysis of the risks to which the institution is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation Board on the recommendation of the Audit Committee. At minimum annually, the Internal Auditor provides the Corporation Board with a report on internal audit activity in the

College. The report includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

- the work of the internal auditors
- the work of other members of the College's Corporate Management Team who have responsibility for the development and maintenance of the internal control framework
- comments made by the Institution's external auditors and Welsh Government auditors in their management letters and other reports.

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

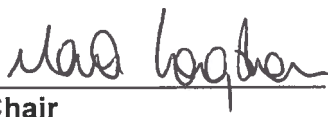
The Corporate Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Corporate Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Audit Committee agenda includes a regular item for consideration of risk and control. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Corporation Board carried out the annual assessment for 2017/18 by considering documentation from the Corporate Management Team, internal and external audit and the Governance Officer.

The Audit Committee makes an Annual Report to the Corporation Board detailing the work done by the Committee during the year which has informed its re-assurance to the Corporation on the effectiveness of the College Risk Management, Corporate Governance and Internal Control structures.

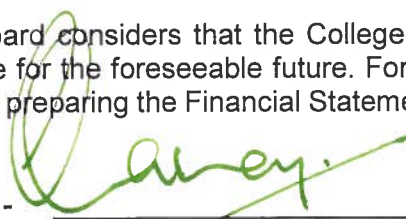
Going concern

After making appropriate enquiries, the Corporation Board considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Financial Statements.

Signature:-


Chair

Signature:-


Principal/Chief Executive

Date:-

18.12.18

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

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

In preparing the financial statements, the Corporation is required to:

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

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

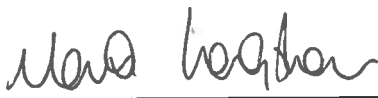
The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other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

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

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

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

Approved by order of the members of the Corporation on 20 November 2018 and signed on its behalf by:

Signature:- 
Chair

Date:- 18.12.18

INDEPENDENT AUDITORS REPORT TO THE CORPORATION OF COLEG GWENT (THE “INSTITUTION”)

Report on the audit of the financial statements

Opinion

In our opinion, Coleg Gwent's group financial statements and parent institution financial statements (the “financial statements”):

- give a true and fair view of the state of the group's and the parent institution's affairs as at 31 July 2018, and of the group's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been properly prepared in accordance with the Accounts Direction issued by the Welsh Government.

We have audited the financial statements, included within the Annual Report & Accounts (the “Annual Report”), which comprise the group and college Balance Sheets as at 31 July 2018; the group and college Statements of Comprehensive Income for the year then ended; the group and college Statements of Changes in Reserves for the year then ended; the consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement of Responsibilities of Members of the Corporation set out on page 27 the Corporation is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Corporation is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other Required Reporting

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

In our opinion, in all material respects:

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



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
18 December 2018

Statement of comprehensive income for the year ended 31 July 2018

		Group 2018 £'000	College 2018 £'000	College 2017 £'000
INCOME				
WG grants	2	46,223	46,223	45,833
Tuition fees and education contracts	3	4,138	4,138	4,104
Other grants and contracts	4	1,459	1,459	1,459
Other income	5	4,168	3,538	4,110
Investment income	6	51	51	49
Total Income		56,039	55,409	55,555
EXPENDITURE				
Staffing costs	7	38,756	37,893	36,833
Staff restructuring costs	7	136	136	536
Other operating expenses	8	13,250	12,998	13,714
Depreciation	10	3,929	3,929	3,607
Interest and other finance costs	9	1,098	1,094	1,366
Total Expenditure		57,169	56,050	56,056
Deficit before exceptional items		(692)	(203)	(35)
Impairment Pontypool Campus		(529)	(529)	-
Release of DCG Pontypool Campus		227	227	-
Exceptional staff restructuring costs		(136)	(136)	(536)
Deficit before other gains and losses		(1,130)	(641)	(501)
Gain on disposal of assets	8,10	-	-	122
Deficit for the year		(1,130)	(641)	(379)
Actuarial gain in respect of pensions schemes	22	7,705	7,653	17,958
(Decrease)/Increase in endowment assets	12	(3)	(3)	1
Total Comprehensive Income for the year.		6,572	7,009	17,580
Restricted comprehensive income		-	-	1
Unrestricted comprehensive income		6,572	7,009	17,579
		6,572	7,009	17,580
Total Comprehensive Income for the year		6,572	7,009	17,580

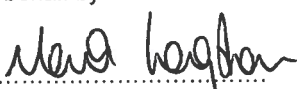
Statement of changes in reserves for the year ended 31 July 2018 (Group and College)

	Income and expenditure account £'000	Revaluation Reserve £'000	Total £'000
GROUP			
Balance at 1 August 2016	(31,734)	6,217	(25,517)
Deficit for the year	(379)	-	(379)
Increase in endowment assets	1	-	1
Other comprehensive income	17,958	-	17,958
Transfers between revaluation and income and expenditure reserves	698	(698)	-
Balance at 31 July 2017	(13,456)	5,519	(7,937)
Deficit for the year	(1,130)	-	(1,130)
Decrease in endowment assets	(3)	-	(3)
Other comprehensive income	7,705	-	7,705
Transfers between revaluation and income and expenditure reserves	465	(465)	-
	7,037	(465)	6,572
Balance at 31 July 2018	(6,419)	5,054	(1,365)
	Income and expenditure account £'000	Revaluation Reserve £'000	Total £'000
COLLEGE			
Balance at 1 August 2016	(31,734)	6,217	(25,517)
Deficit for the year	(379)	-	(379)
Increase in endowment assets	1	-	1
Other comprehensive income	17,958	-	17,958
Transfers between revaluation and income and expenditure reserves	698	(698)	-
Balance at 31 July 2017	(13,456)	5,519	(7,937)
Deficit for the year	(641)	-	(641)
Decrease in endowment assets	(3)	-	(3)
Other comprehensive income	7,653	-	7,653
Transfers between revaluation and income and expenditure reserves	465	(465)	-
	7,474	(465)	7,009
Balance at 31 July 2018	(5,982)	5,054	(928)

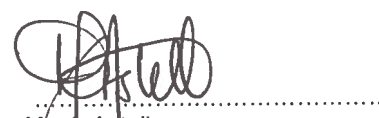
Balance sheets as at 31 July 2018

		Group 2018 £'000	College 2018 £'000	College 2017 £'000
Non-current Assets				
Tangible fixed assets	10	62,689	62,689	61,643
Investments		2	2	2
Endowment assets	12	65	65	68
		<u>62,756</u>	<u>62,756</u>	<u>61,713</u>
Current Assets				
Stocks	13	2	2	2
Trade and other receivables	14	2,098	2,662	1,603
Cash and cash equivalents	19	12,464	12,239	14,862
		<u>14,564</u>	<u>14,903</u>	<u>16,467</u>
Less creditors - amounts falling due within one year	15	(7,830)	(7,835)	(8,986)
Net current assets		<u>6,734</u>	<u>7,068</u>	<u>7,481</u>
Total assets less current liabilities		<u>69,490</u>	<u>69,824</u>	<u>69,194</u>
Creditors - amounts falling due after more than one year	16	(40,049)	(40,049)	(41,012)
Net Assets before provisions		<u>29,441</u>	<u>29,775</u>	<u>28,182</u>
Provisions				
Defined benefit pension obligations	22	(28,431)	(28,345)	(33,548)
Other provisions	18	(2,375)	(2,358)	(2,571)
		<u>(30,806)</u>	<u>(30,703)</u>	<u>(36,119)</u>
Net liabilities		<u>(1,365)</u>	<u>(928)</u>	<u>(7,937)</u>
Restricted Reserves				
Income and expenditure reserve – endowment fund		65	65	68
Unrestricted Reserves				
Income and expenditure account		(6,484)	(6,047)	(13,524)
Revaluation reserve		5,054	5,054	5,519
Total reserves		<u>(1,430)</u>	<u>(993)</u>	<u>(8,008)</u>
Total reserves		<u>(1,365)</u>	<u>(928)</u>	<u>(7,937)</u>

The Financial Statements on pages 32 to 56 were approved by the Corporation on 20 November 2018 and were signed on its behalf by


 Mr M. Langshaw MBE
 Chair


 Mr G O Lacey
 Principal/Chief Executive


 Mrs L Astell
 Vice Principal

Consolidated Statement of cash flows for the year ended 31 July 2018

	2018 £'000	2017 £'000
Cash flow from operating activities		
Deficit for the year	(1,014)	(379)
Adjustment for non-cash items		
Depreciation	3,929	3,607
Increase in stock	-	(2)
(Increase)/decrease in debtors	(493)	516
(decrease)/Increase in creditors due within one year	(1,261)	2,280
Decrease in provisions	(196)	(558)
Pensions costs less contributions payable	1,538	1,375
Deferred capital grant release	(1,489)	(1,311)
Decrease in endowments	(3)	-
Adjustment for investing or financing activities		
Investment income	(51)	(41)
Interest payable	1,098	1,366
Profit on sale of fixed assets	-	(122)
Net Cash flow from operating activities	2,058	6,731
Cash flows from investing activities		
Proceeds from sale of fixed assets	-	1,376
Investment income	51	41
Payments made to acquire fixed assets	(4,975)	(4,615)
Deferred grant received	1,223	528
Net cash flow from investing activities	(3,701)	(2,670)
Cash flows from financing activities		
Interest paid	(164)	(170)
Repayment of amounts borrowed	(591)	(571)
Net cash flow from financing activities	(755)	(741)
(Decrease)/increase in cash and cash equivalents in the year	(2,398)	3,320
Cash and cash equivalents at the beginning of the year	14,862	11,542
Cash and cash equivalents at the end of the year	12,464	14,862

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

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

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, Coleg Gwent Training Ltd which is controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2018.

Going Concern

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

The College currently has £5.1m of loans outstanding with bankers on terms negotiated at various dates. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. The final grant income is normally determined with the conclusion of the year end

1. Statement of accounting policies and estimation techniques (continued)

Reconciliation process with the funding body following the year end, and the results of any funding audits.

The recurrent grant from WG represents the funding allocations attributed to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

Capital grant funding

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

Fee income

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

Investment income

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

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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

1. Statement of accounting policies and estimation techniques (continued)

Benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the financial year by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's SOCI in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-current Assets - Tangible fixed assets

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

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Buildings acquired pre August 2002 – 25 years
- Buildings acquired post August 2002 – 50 years
- Refurbishments – 10 years

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of between 25 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 25 and 50 years.

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993 on incorporation, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

1. Statement of accounting policies and estimation techniques (continued)

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £5,000 per individual item is recognised as expenditure in the financial year of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- technical equipment 5 years
- motor vehicles 5 years
- computer equipment 4 years
- furniture, fixtures and fittings 10 years

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term.

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under

Finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts.

1. Statement of accounting policies and estimation techniques (continued)

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

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

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 6.2% (last VAT claim) of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the financial year it arises.

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

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements. Note 18

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks

and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

1. Statement of accounting policies and estimation techniques (continued)

- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability

2. WG Grants

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Recurrent Grants			
WG Recurrent Grant	41,575	41,1575	40,459
Work Based Learning	1,416	1,416	1,426
Specific Grants			
Release of Deferred Capital Grants WG – buildings	129	129	166
Release of Deferred Capital Grants WG – equipment	344	344	215
Other specific grants	2,759	2,759	3,567
Total	46,223	46,223	45,833

During the 2017/2018 financial year the College received £0.8m (2016/17: £0.8m) from the Welsh Government as earmarked Learner Support Funds (LSF). The funds were administered in accordance with the terms and conditions specified by the Welsh Government, and are not recorded in the College's income and expenditure account. The detail of this grant is shown in Note 25.

3. Tuition fees and education contracts

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Fees – Further Education	138	138	678
Fees – Higher Education	3,703	3,703	3,057
Total tuition fees	<u>3,841</u>	<u>3,841</u>	<u>3,735</u>
LEA Contracts	311	311	323
Higher Education (HE) contracts	(14)	(14)	46
Total	<u>4,138</u>	<u>4,138</u>	<u>4,104</u>

4. Other grants and contracts

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
European Grants	1,459	1,459	1,459
Total	<u>1,459</u>	<u>1,459</u>	<u>1,459</u>

5. Other Income

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Catering	33	33	50
Other income generating activities	2,028	1,398	2,050
Release other deferred capital grants–non WG	1,017	1,017	930
Farming activities	22	22	23
Rental income	32	32	34
Miscellaneous income	1,036	1,036	1,023
Total	<u>4,168</u>	<u>3,538</u>	<u>4,110</u>

6. Investment Income

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Bank interest receivable	51	51	49
Total	<u>51</u>	<u>51</u>	<u>49</u>

7. Staff costs

Numbers of staff

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

	Group 2018 Number	College 2018 Number	College 2017 Number
Teaching staff	461	461	454
Non-Teaching staff	512	507	500
Total	973	968	954

Staff costs for the above persons

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Wages and salaries	29,283	28,893	28,149
Social Security Costs	2,663	2,588	2,623
Other pension costs (inc. enhanced pension, FRS102 adjustment)	7,002	6,620	6,186
Movement in holiday pay provision	(192)	(208)	(125)
	38,756	37,893	36,833
Restructuring costs - Contractual	136	136	536
Total Staff Costs	38,892	38,029	37,369

Employment costs by employee type

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Teaching departments	21,342	21,059	20,605
Teaching support services	5,187	5,187	4,888
Administration and central services	10,029	9,601	9,577
Premises	495	495	468
Training and development	67	67	42
Exceptional staff redundancy costs	136	136	536
Enhanced pension provision movement	46	46	(40)
Apprenticeship levy	128	126	43
FRS102 charge in excess of contributions	1,654	1,520	1,375
Holiday pay accrual movement	(192)	(208)	(125)
Total Staff costs	38,892	38,029	37,369

7. Staff costs (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Management Team (CSMT) which comprises of the Principal, Vice Principals, Directors and Senior Managers. Staff costs include compensation paid to key management personnel for loss of office.

Emolument of key management personnel, Accounting Officer and other higher paid staff.

	Group 2018 Number	College 2018 Number	College 2017 Number
The number of key management personnel including the Accounting Officer was:	15	14	16

The Head of Marketing position has been removed from CMT and the Director of Coleg Gwent Training Ltd was included in 2017 count and is now shown in the Group number above.

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

Key management personnel

	Group 2018 Number	College 2018 Number	College 2017 Number
£60,001 to £70,000 p.a.	7	6	6
£90,001 -£100,000 p.a.	-	-	2
£100,001 to £110,000 p.a.	2	2	-
£140,001 - £150,000 p.a.	1	1	1
Total Staff costs	10	9	9

Key management personnel emoluments are made up as follows:-

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Salaries	1,097	1,037	1,199
Pension contributions	215	210	206
Total emoluments	1,312	1,247	1,405

7. Staff costs (continued)

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangement in place. The variance from 2017 relates to one post being removed from CMT and a further post HE Director removed last year prior to year-end due to the vacation of the position however 11 months of the costs were included.

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

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Salaries	149	149	147
Pension contributions	39	39	33
Total emoluments	188	188	180

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Compensation for loss of office paid to CSMT officer.	-	-	43

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

8. Other operating expenses

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Teaching department costs	801	774	846
Other support services	107	107	103
Administration and central services	2,617	2,520	2,663
General Education	2,156	2,100	2,346
Premises and maintenance costs	4,059	4,010	4,383
Franchise provision	797	797	835
Payment to Partners – European Funding	350	350	389
Payment to Partners - SPP	1,341	1,341	1,074
Catering operations	37	37	28
Usk Estates	12	12	13
Transport	973	950	1,034
Total other operating costs	13,250	12,998	13,714

8. Other operating expenses (continued)

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Auditors' remuneration			
- Financial Statement Audit	32	28	34
- Internal Audit	32	32	35
- Other services provided by the financial statement auditor	81	81	40
Losses on disposal of non-current assets	-	-	122
Hire of assets under operating leases – non property assets	150	150	121

9. Interest and other finance costs

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Bank loans, overdrafts and other loans:	164	164	170
	<u>164</u>	<u>164</u>	<u>170</u>
Pension finance costs (note 23)	934	930	1,196
Total	<u>1,098</u>	<u>1,094</u>	<u>1,366</u>

10. Tangible fixed assets (Group and College)

Land and buildings were valued in 1993 by the District Valuer, Newport, on the basis of Open Market Value for the Existing Use, or in the case of specialised buildings, on the basis of Depreciated Replacement Cost, for incorporation within the balance sheet. The valuation, as at 1 April 1993, amounted to £29,885,000 of which £23,212,000 related to buildings and £6,673,000 related to land.

As inherited land and buildings were transferred from the Local Education Authority to the College under the terms of Further and Higher Education Act 1992 at £nil cost, if they had not been valued they would have been included in the financial statements at a historic cost of £nil. 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 issued by the Welsh Government.

Donated land and buildings were valued on 21 July 2012 by Cooke & Arkwright and have been depreciated during the year in line with the College's depreciation policy

Assets with a net book value of £6,385k (2016/17: £5,635k) have been funded with Welsh Government grants, and assets with a net book value of £2,120k (2016/17: £2,502k) have been funded with other grants. Should these assets be disposed of the proceeds may be returned to the relevant organisation.

During the year a decision was taken to vacate and then dispose of the Pontypool campus site in 2020, following completion and occupation of a newly built campus in Cwmbran. In accordance with FRS 102 a total impairment charge of £529k has been made during the financial year to reflect the shortened life of the buildings and fixtures and fittings. A corresponding release of deferred capital grant relating grant funded buildings on the Pontypool site of £227k has been credited to income during the financial year. Further impairment charges and releases from capital grants are anticipated in the year to 31 July 2019 of £1,598k and to 31 July 2020 of £1,669k.

10. Tangible fixed assets (Group and College) continued.

	Land £'000	Buildings £'000	Fixtures and Fittings £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation					
At 1 August 2017	6,307	77,491	16,090	4,893	104,781
Additions	-	-	-	4,975	4,975
Reclassifications	-	-	4,103	(4,103)	-
Disposals	-	-	(3,780)	-	(3,780)
<i>At 31 July 2018</i>	<u>6,307</u>	<u>77,491</u>	<u>16,413</u>	<u>5,765</u>	<u>105,976</u>
Depreciation					
At 1 August 2017	350	32,346	10,442	-	43,138
Charges for year	3	1,708	1,689	-	3,400
Impairment	-	514	15	-	529
Eliminations in respect of disposals	-	-	(3,780)	-	(3,780)
<i>At 31 July 2018</i>	<u>353</u>	<u>34,568</u>	<u>8,366</u>	<u>-</u>	<u>43,287</u>
Net Book Value at 31 July 2018	<u>5,954</u>	<u>42,923</u>	<u>8,047</u>	<u>5,765</u>	<u>62,689</u>
Net Book Value at 31 July 2017	<u>5,957</u>	<u>45,145</u>	<u>5,648</u>	<u>4,893</u>	<u>61,643</u>

11. Non-current Investments

Shares in Dairy Crest Limited were provided free of charge to the College by Milk Marque Limited in April 1996 and are shown in the financial statements at face value. The market value of these shares as at 31 July 2018 was £21k (2016/17 £25k).

Coleg Gwent Holdings Limited was struck off as a company on 31 July 2018. Coleg Gwent owns 1 share in Coleg Gwent Training Ltd, Coleg Gwent Enterprises Ltd and Coleg Gwent Catering Ltd. Only Coleg Gwent Training Ltd is trading as at the date of these financial statement. The registered address for all subsidiaries is:- The Rhadyr, Usk, Monmouth, NP15 1XJ.

12. Endowment Assets

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Fixed interest stocks	4	4	4
Cash balances	65	65	68
Total	69	69	72

13. Stocks

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Refectory & bar stock	2	2	2
Total	2	2	2

14. Trade and Other Receivables

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Amounts falling due within one year:			
Trade receivables	272	101	366
Prepayments and accrued income	1,826	1,951	1,236
Amount owed by subsidiary company	-	610	
Total	2,098	2,662	1,602

15. Creditors – Amounts falling due within one year

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Amounts falling due within one year:			
Bank loans and overdrafts	401	401	413
Trade payables	1,314	1,308	845
Accruals and deferred income	3,993	4,004	5,156
Deferred income – government capital grants	1,271	1,271	1,153
Grants in advance	851	851	1,419
Total	7,830	7,835	8,986

16. Creditors – Amounts falling due after one year

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Bank loans	4,730	4,730	5,309
Deferred income – government grants	35,319	35,319	35,703
Total	40,049	40,049	41,012

17. Maturity of debt**Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Bank loans	402	402	413
Between one and two years	401	401	426
Between two and five years	1,174	1,174	1,291
In five years or more	3,154	3,154	3,592
Total	5,131	5,131	5,722

The College has five fully drawn down facilities. Three of which are with National Westminster Bank totalling £3,975,000 repayable in 96 quarterly instalments and secured against the Newport Learning Centre and Crosskeys Art and Science blocks. A fourth fully drawn down facility is with Allied Irish Bank secured on the Learning Resource Centre and the Construction centre at Pontypool, totalling £2,867,000 and payable in 80 quarterly instalments. A fifth drawn down facility is with Lloyds Bank totalling £2,900,000 and repayable in 92 quarterly instalments. Two of the Nat West facilities (£2,925K) have interest rate in 13/14 with interest currently payable at 0.8% over LIBOR; one facility, AIB of (£2,867K) has a variable interest rate payable at 1.175% over base, one (£1,050K) has an interest rate payable at 0.8% over LIBOR and one (£2,900K) has an interest rate payable at 0.75%. Coleg Gwent Training Ltd has no external loans outside of the Group.

18. Other provisions (Group and College)

	VAT Provision £'000	Enhanced Pension Provision £'000	Holiday Provision £'000	Total Provision £'000
At 1 August 2017	-	1,937	634	2,571
Expenditure in the period	-	(150)	-	(150)
Release to I+E account in period	-	-	(191)	(191)
Charge to I+E account in period	100	45	-	145
At 31 July 2018	100	1,832	443	2,375

18. Other provisions (Group and College) continued.

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details can be found in Note 23.

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date.

The principal assumptions for this calculation are;

	2018	2017
Price Inflation	1.3%	1.3%
Discount Rate	2.3%	2.3%

The holiday pay provision relates to short-term employee benefits afforded to all employees in the financial year but which are still outstanding at year end. These benefits relate to outstanding annual leave at 31 July 2018. Coleg Gwent Training Ltd leave year aligns with the financial year however Coleg Gwent's holiday period is July 17 to August 18 which is one month out of line with the financial accounting. The provision relates to Coleg Gwent Training Ltd and Coleg Gwent and Group provision has decreased in 17/18 compared to 16/17.

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Holiday pay provision	442	426	634
Total	442	426	634

19. Cash and Cash Equivalents (Group and College)

	At 1 August 2017 £'000	Cash flows £'000	At 31 July 2018 £'000
Cash and cash equivalents	14,862	(2,398)	12,464
Total	14,862	(2,398)	12,464

20. Capital and other commitments

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Commitments contracted for at 31 July	1,912	1,912	3,048
Total	1,912	1,912	3,048

21. Lease Obligations

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

	Group 2018 £'000	College 2018 £'000	College 2017 £'000
Other (not land and buildings)			
Not later than one year	9	9	108
Later than one year and not later than five years	141	141	13
Total	150	150	121

22. Defined benefit pension obligations (Group and College)

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Torfaen Borough Council. Both are defined-benefit schemes. Coleg Gwent Training Ltd has set up a NEST pension scheme for its employees. NEST is a workplace pension's scheme set up by the Government.

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

Total Pension Cost for the year

	2018 £'000	2017 £'000
Teachers Pension Scheme Contributions	2,539	2,567
NEST	9	5
Local Government Pension Scheme Contributions		
Contributions paid	2,730	2,266
Movement in accruals/LS adjustments	(92)	13
FRS 102 charge	1,654	1,375
Charge to Statement of Comprehensive Income	4,292	3,654
Enhanced Pension Charge to the Income and Expenditure Account	46	(40)
	6,886	6,186

22. Defined benefit pension obligations (Group and College) continued

Teachers' Pension Scheme (TPS) Continued

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.5% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.7%. The assumed nominal rate of return is 5.1%.

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

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

The pension costs paid to TPS in the year amounted to £2,560k (2017 £2,564k). This figure differs from the TPS costs in the financial accounts due to accruals at year end.

22. Defined benefit pension obligations continued

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Torfaen Unitary Authority. The total contributions made for the year ended 31 July 2018 were £3,291k, of which employer's contributions totalled £2,628k and employees' contributions totalled £663k. The agreed contribution rates for future years are 26.4% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2018 %	At 31 July 2017 %
Rate of increase in salaries	2.8	2.9
Discount rate for scheme liabilities	2.8	2.7
Inflation assumption (CPI)	2.4	2.5
Commutation of Pensions to lump sums	50.0	50.0

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

	2018	2017
<i>Retiring today</i>		
Males	21.5	21.5
Females	23.9	23.9
<i>Retiring in 20 years</i>		
Males	23.6	23.6
Females	26.1	26.1

22. Defined benefit pension obligations continued

Local Government Pension Scheme (LGPS) continued

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

	Long term rate of return expected at 31 July 2018	Value at 31 July 2018	Long term rate of return expected at 31 July 2017	Fair Value at 31 July 2017
	%	£'000	%	£'000
Equity instruments		53,099		48,274
Debt Instruments	80	11,284	81	10,131
Property	17	1,327	17	1,192
Cash	2	664	2	-
	1		-	
Total fair value of plan assets		66,374		59,597
Actual return on plan assets		1,631		1,221

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2018 £'000	2017 £'000
Fair value of plan assets	66,374	59,597
Present value of plan liabilities	(94,805)	(93,145)
Net Pensions (liability)	(28,431)	(33,548)

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

	2018 £'000	2017 £'000
Amounts included in staff costs		
Current service cost	4,384	3,614
Past service cost	-	27
Total	4,384	3,641
Amounts included in investment income		
Net interest income	(934)	(1,196)
Total	(934)	(1,196)

22. Defined benefit pension obligations continued

	2018
Amount recognised in Other Comprehensive Income	£'000
Return on pension plan assets	3,423
Experience gains raising on defined benefit obligations	4
Changes in assumptions underlying the present value of plan liabilities	4,286
Amount recognised in Other Comprehensive income	7,713
	2018
Movement in net defined liability during year	£'000
Net defined benefit liability in scheme at 1 August	(33,548)
Movement in year:	
Current service cost	(4,384)
Employer contributions	2,730
Effect of settlements	(8)
Net interest on the defined (liability)/asset	(934)
Actuarial gain or loss	7,713
Net Defined Benefit liability at 31 July	(28,431)

Asset and Liability Reconciliation

	2018
Changes in the present value of defined benefit obligations	£'000
Defined benefit obligations at start of period	93,145
Current service cost	4,384
Effect of settlements	8
Interest cost	2,565
Contributions by scheme participants	671
Benefits paid	(1,678)
Experience gains on defined benefit obligations	(4)
Changes in financial assumptions	(4,286)
Defined benefit obligations at the end of period	94,805

	2018
	£'000
Fair value of plan assets at start of period	59,597
Interest on plan assets	1,631
Return on plan assets	3,423
Employer contributions	2,730
Contribution by Scheme participants	671
Estimated benefits paid	(1,678)
Fair value of plan assets at end of period	66,374

23. Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £6k. (2017 £6k) This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2017 nil)

24. Amounts disbursed as agent

	College 2018 £'000	College 2017 £'000
Balance C/fwd	22	-
Funding body grants – discretionary learner support	757	757
Interest earned	1	1
	<u>780</u>	<u>758</u>
Disbursed to students	(731)	(713)
Administration costs	(23)	(23)
Balance as at 31 July, included in creditors	<u>26</u>	<u>22</u>

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