



Colleges Wales / Colegau Cymru Limited

Annual Report and

Consolidated Accounts

for the Year Ended 31 July 2018

Charity Number: 1060182
Company Number: 2832103
(England and Wales)

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ANNUAL REPORT & ACCOUNTS

The Directors/Trustees present their annual report and accounts of Colleges Wales / Colegau Cymru Limited and its subsidiary, fforwm Services Limited for the year ended 31 July 2018.

Structure

ColegauCymru is a post-compulsory education charity that represents 13 further education (FE) colleges and designated FE institutions (FEIs) in Wales. The company was originally incorporated in 1993 as fforwm Limited and on 1 June 2009 changed its name to Colleges Wales / ColegauCymru Limited and was branded as 'ColegauCymru / CollegesWales'. fforwm Services Limited was established in 1995 and is a wholly owned trading subsidiary of Colleges Wales / ColegauCymru Limited.

Charitable Objectives

ColegauCymru's charitable objectives and principal activities remained throughout 2017-18 to promote the advancement of education for the benefit of the general public in Wales. ColegauCymru exists through its work to:

- provide a forum for discussion on matters of common interest conducted by all the FE corporations and other institutions receiving post-16 funding from the Welsh Government, and
- make representations on behalf of its members to persons concerned with education and its funding in Wales.

The charity's prime purpose is to raise the profile of further education with key decision-makers to improve educational opportunities for learners in Wales.

Activities Delivering Public Benefit

FE colleges in Wales create significant positive benefits for their main stakeholder groups i.e. learners, society, taxpayers, and the local business community. ColegauCymru's recently commissioned research, identified the following social and economic benefits of learning in Wales¹:

Benefits to Society

- Society as a whole invested £1.7 billion in FE colleges through direct outlays and the loss of potential output from learners who spent time at the colleges rather than working.
- In return, society will receive £7.90 for every £1 invested in FE colleges. The average annual rate of return on their investment is 24.0%.

Impact of Staff & College Expenditure

- FE colleges in Wales employed 8,115 staff in 2014-15 and staff costs amounted to £305.2 million much of which was spent in Wales to purchase goods and services.
- Colleges spent £163.1 million on goods / services to support their operations. The net impact of staff and college expenditure totals approximately £455.5 million in added income in the economy of Wales each year.

Benefits to Learners

- In return for the monies that learners invest in FE colleges in Wales (tuition fees and forgone earnings), they will receive a present value of £5.5 billion in increased earnings over their working lives

Total impact on Local Business Community

- Overall, the economic impact of the FE colleges to the local business community in Wales is £4 billion each year.

¹ *EMSI 2017. Demonstrating the Economic Value of FE Colleges in Wales Fact Sheet Executive Summary*

Strategic Priorities

During the financial year, ColegauCymru's work focused on delivering the following five strategic priorities:

1. Promote and support high quality provision for learners
2. Proactively engage with employers and stakeholders to identify and address skills gaps in the Welsh economy
3. Influence and shape government policy
4. Ensuring a high profile for education, training and skills in Wales
5. To be a sustainable and dynamic sector-leading organisation

Achievements and Performance

ColegauCymru remains focused on building relationships with key stakeholders and ensuring it is a key influencer on issues affecting the sector. Key achievements are as follows:

- Continued to work with the Welsh Government to secure an increase in college core funding for 2017/18.
- Represented the views of Members through policy position statements and press releases including the Welsh-medium Strategy of reaching one million speakers by 2050.
- Submitted consultation responses on policy matters affecting the decisions of post-16 learners in Wales to Welsh Government or National Assembly for Wales Committee.
- Held a number of strategic dialogue meetings with Welsh Government Assembly Members and Ministers, including Cross Party Group meetings on FE and Future Skills.
- Successfully reinstated the Annual Conference and held other relevant conferences to support post-16 education in Wales.
- ColegauCymru continued working closely with Sport Wales, key stakeholders and colleges to ensure that the FE sector was well placed in terms of future developments. An independent review of funded projects was presented to Sport Wales in Spring 2018, with a second FE Sport and Active Lifestyles survey delivered soon after.
- Supported initiatives that promoted and demonstrated the value of vocational skills, including Skills Competitions Wales; WorldSkills UK, and VQ Day.
- Negotiated with trade unions on behalf of the sector to secure a pay award for 2017/18.

Policy Research and Development Projects

ColegauCymru has been successful in securing a number of externally funded projects aimed at enhancing the educational opportunities of learners in Wales. A summary of the range of projects undertaken by the charity, during the period, are outlined below.

International and European partnerships and learning opportunities

ColegauCymru coordinates and submits pan Wales consortium applications for Erasmus+ funding on behalf of the FE colleges in Wales. Erasmus+ funding supports opportunities for college leaders, tutors and support staff as well as FE learners and apprentices.

The learner mobility projects focus on providing vocational learners and apprentices with opportunities to undertake short term work placements in Europe. ColegauCymru has developed a robust network of partnerships across 13 European countries. The network supports the sourcing of work placements across a wide range of curriculum areas. In total, over 25 curriculum areas are represented in the learner projects and these opportunities help learners and apprentices to broaden their horizons, enhance their employability skills and to experience living and working in a different European country. Since 2014, ColegauCymru has received just over €3m for these projects which have enabled over 1300 learners and apprentices to benefit from a period of work experience in Europe.

In 2018, ColegauCymru had its most successful year with its learner mobility project attracting just over €1.3m. This funding will enable 584 learners from 11 FE colleges and 1 employer to benefit from a two week work placement in one of 11 European countries. In addition, there was a pan Wales staff visit to Sonderborg, Denmark to explore the delivery of higher-level skills and strategies for building staff capacity in this regard.

The staff mobility projects focus on improving quality and innovation, collaborating with international counterparts and developing strategic partnerships with VET organisations in Europe. Past project themes have focused on strategies for improving literacy and numeracy in Finland, regional approaches to innovation in the Basque Country, Spain, multilingualism in Catalonia, Spain and higher-level skills in Sonderborg, Denmark. Since 2014, ColegauCymru has received just under €140k for these projects which have enabled 103 members of staff to benefit from these funded CPD opportunities overseas.

ColegauCymru continued its work as the Welsh Government's National Contact and Reference Point for a range of European tools that promote the transparency, portability and recognition of qualifications across the European Union. The tools are seen as an integrated framework for the portability and comparability of qualifications across European countries and include: European Qualifications Framework (EQF), the European Credit System for VET (ECVET), European Quality Assurance in VET (EQAVET) and Europass.

ColegauCymru also secured additional funding from the European Commission to re-reference the Credit and Qualifications Framework for Wales (CQFW) to the European Qualifications Framework (EQF). ColegauCymru is working closely with Qualifications Wales and other key stakeholders in Wales to deliver this work.

EQAVET-funded research into the relationship between skills and economic resilience - Work continued on Stage 2 of this research project which included interviews with key personnel in six European regions. These were designed to build on the Stage 1 desk research and probe further into the relationship between skills and economic resilience, specifically what made the regions chosen more resilient to the economic crisis, and what Wales can learn.

Sport, physical activity and volunteering

In partnership with Sport Wales, ColegauCymru is the lead organisation for sport, physical activity and volunteering in FE colleges in Wales, raising the profile of sport, physical activity and volunteering through college projects and promoting elite college sport.

2017/18 Achievements

- Independent review of Sport Wales funded projects 2014 – 2017 by BlwBo
- 5600 FE learners participating in project funded activity - unique attendees
- Strategic guidance leading to colleges employing new staff including students to support project delivery and expanding delivery to new campuses
- Direct engagement with FE learners via tutorial programmes leading to bespoke delivery for 37 different subject areas delivering 35 different types of sport and physical activity
- Over 82% of project activity involving non-sporty groups participating in physical activity and wellbeing activity
- Upskilling of 200 Childcare learners in physical literacy

Welsh Government has launched a new vision for Sport in Wales during 2018. This includes both delivery of community sport and physical activity and a new strategy is currently being developed. The FE sector is likely to feature strongly in any new developments due to the age and activity levels of learners the representation and project work already undertaken by ColegauCymru

Developing new project funding and events has also been successful including the following:

- Erasmus + Sport Youth Sports Development project, 7 EU partner countries
- Childcare Physical Literacy project, 10 colleges
- Erasmus + Sport CPMEs Curricular Pathways for Migrants Empowerment through Sport project
- Erasmus+ Youth Exchange "It is up to you project" Rugby as a tool for social inclusion
- Snowdonia Challenge 2018

Welsh and Bilingual Projects

The development of a website to host bilingual teaching and learning resources in subject areas such as motor vehicle, tourism, business services and bilingual teaching methodology www.adnoddau.cymru. A number of colleges were involved in the project, gathering the subject specific data. Coleg Sir Gâr took responsibility for the resource development, and the resources are now live on the website, alongside previous resources developed in health and social care and construction. To support the first part of the project, further funding was received to enable a piece of research into learner impression on the Welsh language. This study was undertaken by BlwBo and aided by Sgiliaith. The findings were presented to the Bilingual Champion network.

Additional Learning Needs (ALN)

ColegauCymru is running a Welsh Government funded project to support colleges as they prepare for the implementation of the ALNET Act. As part of this, an ALN Transformation Lead has been employed. On behalf of Welsh Government, ColegauCymru is also co-ordinating a series of projects on provision and practice in the Independent Living Skills (ILS) curriculum area. We are working with representatives from colleges and wider stakeholders to capture and share existing best practice to develop the ILS curriculum and Learning Area Programme (LAP).

Prevent - Safe college communities

Having previously revised the Safe Learning Communities Guidance and Self-Assessment Toolkit with Estyn and FE partners, ColegauCymru worked with the Home Office's HE and FE Prevent Coordinator for Wales to deliver training to key staff on the 'Prevent Duty' (introduced in the Counter-Terrorism and Security Act 2015) in order to help prevent people in FE colleges and independent training providers from being drawn into terrorism.

More Able and Talented Learners in FE

ColegauCymru is currently working with Markit Training and Consultancy Ltd. on a Welsh Government-funded project on more able and talented learners in Further Education. The aim is to develop increased capacity and expertise in the Further Education sector in Wales in supporting MAT learners, and to build on the existing guidance on more able and talented learners in FE. Work includes establishing a programme of support for the sector including continuing professional development (CPD) tailored to the specific context of the FE sector.

Future Plans and Activities

As the UK negotiates its exit from the European Union, Wales must continue to maintain and develop international links by playing an active role in the continuous development of a common framework for improving transparency across European VET (Vocational Educational Training) systems. ColegauCymru will play an active role in advising the Welsh Government on developments in these initiatives to ensure that Wales does not become isolated after the UK leaves the EU.

The UK National Agency for Erasmus+, in its Brexit update on 21 December 2017, said that the UK Government has stated publicly that the United Kingdom is committed to continuing full participation in the Erasmus+ programme up until the UK leaves the European Union. The UK Government has now agreed a financial settlement with the EU enabling it to move to the next stage of negotiations. With the caveat that "nothing is agreed until everything is agreed", in principle the UK will continue to benefit from all EU programmes, including Erasmus+, until the end of the current budget plan (2014-2020). The UK's participation in Erasmus+ post 2020 remains part of the wider negotiations.

ColegauCymru will continue to work closely with Sport Wales, key stakeholders and colleges to ensure that the FE sector is well placed in terms of future developments following the independent review of funded projects presented to Sport Wales in Spring 2018, and the subsequent second FE Sport and Active Lifestyles survey. Alongside this, further events and dissemination will take place tackling inequalities in health and well-being.

A key objective for ColegauCymru for 2018-19 will be to drive activity forward on behalf of the sector. The charity will work closely with Members over the coming year to build deeper relationships with Ministers and other key stakeholders. Ensuring Members are kept abreast of key issues and remain focused on delivering Members recommendations for the benefit of the learners and the wider communities in Wales.

GOVERNANCE REPORT

The Governance Report provides information on the membership of its Board, Committees and recent changes to its constitution and governing document.

Board of Directors



CHAIR - DAFYDD EVANS
CEO/PRINCIPAL, GRWP LLANDRILLO MENAI
JOINED : SEPTEMBER 2016

Dafydd took over as Chief Executive Officer of Grŵp Llandrillo Menai in September 2016, having previously been Principal of Coleg Llandrillo (August 2014 - August 2016) and Principal of Coleg Menai (July 2009 - August 2014). He is a qualified CIPFA Accountant, having graduated in Statistics at University of Wales Aberystwyth. As an Associate Assessor for ESTYN, he has undertaken inspections on several colleges and has also in the past been seconded to work for the Welsh Assembly Government to undertake developmental work on resources allocation and reconfiguration of the post-16 sector in Gwynedd and Anglesey.



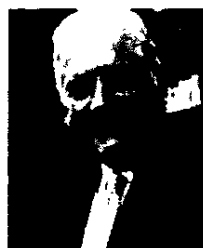
CHAIR - SHARRON LUSHER
CEO/PRINCIPAL, PEMBROKESHIRE COLLEGE
JOINED : May 2014

Sharron has been involved in further education now for 20 years, and has been Principal of Pembrokeshire College since August 2012. She is a member of the CBI Wales Regional Council, and a member of the Haven Waterway Enterprise Zone Board. Prior to working for Pembrokeshire College, Sharron worked for Marks and Spencer plc for 12 years. There she held a number of management roles, ending up as Logistics Controller for the European operation. Resigned from appointment on 30th June 2018



DEPUTY CHAIR – GUY LACEY
CEO/PRINCIPAL, COLEG GWENT
JOINED : JULY 2018

Guy was appointed CEO/Principal of Coleg Gwent in August 2015. Guy graduated from Oxford Brookes University and has post graduate qualifications in Secondary Education from Bath University. Guy has spent the last 25 years in a number of UK schools and colleges and has gained knowledge of a wide range of approaches to the delivery of skills and training to meet the needs of young people and adults. In addition Guy worked as a GCSE examiner for the University of Cambridge examinations syndicate and worked as a peer Inspector with ESTYN for over ten years.



DIRECTOR/TRUSTEE - JOHN CLUTTON
CHAIR, COLEG CAMBRIA
JOINED: NOVEMBER 2014

John is Chair of Coleg Cambria and a member the college's Leadership, Performance and Improvement Committee, HR, Finance and Estates Committee, Director of Cambrian Training Services and also Novus Cambria. John has a vast experience and understanding of education and senior management having formerly been Director of Education and Children's Services and Recreation for Flintshire. During his tenure as Director, he was chair of the Flintshire Local Safeguarding Children's Board, chair of the Children's and Young People's Framework Partnership and an ESTYN schools Inspector. Following retirement in 2007, he was appointed by the Welsh Government, as a member of the Denbighshire Independent Education Recovery Board. At the invitation of Wrexham Council, he chaired the Wrexham Learning Partnership Board and served as a local education authority appointed governor at a local high school.



DIRECTOR/TRUSTEE - PAUL CROKE
CHAIR, BRIDGEND COLLEGE
JOINED : 1 AUGUST 2017

Paul graduated from Kent University and has post graduate qualifications from Oxford University, Cardiff University and the University of Glamorgan (now USW). He is a Fellow of the Royal Society of Arts and a former College Principal at Gorseinon in Swansea and latterly at Yale College Wrexham. John has spent the whole of his professional career (38 years) in further education having worked at Crosskeys, Pontypool, and Swansea colleges before becoming a principal. Paul is currently Chair of governors at Bridgend College.



IESTYN MORRIS
HEAD OF LEGAL AND BUSINESS, S4C
JOINED : 1 AUGUST 2017

Named as a leading individual in the 2015 edition of the Legal 500. Specialist in employment law, pensions law and education law. Iestyn worked as a partner for Capital Law advising on all aspects of employment law and has particular experience in relation to corporate restructures, collective agreements, industrial relations and TUPE. He joined S4C in September 2018 and is a fluent Welsh speaker.



DIRECTOR / TRUSTEE
CHIEF EXECUTIVE
IESTYN DAVIES
JOINED : OCTOBER 2015

Iestyn graduated from Swansea University in Philosophy and Welsh and has a MA in Political Communications from Cardiff University. During his career, Iestyn has worked in both the business and voluntary sectors as well as in education. He has been a Lay Inspector with the ESTYN, a Governor at Cardiff Metropolitan University as well as at his local Welsh-medium primary school. Iestyn was a member of the shadow board of Qualifications Wales.

The following resignations were tendered as part of the charity's new constituted structure :

DIRECTOR/TRUSTEE – SHARRON LUSHER
CEO/PRINCIPAL, PEMBROKESHIRE COLLEGE
RESIGNED – 30 JUNE 2018

No director/trustee held any shares in the company at any time during the year.

In 2018/19 ColegauCymru is seeking to strengthen and diversify the membership of the Trustee Board.

Committees of the Board of Management

Audit Committee

Simon Pirotte (Chair), Lynda Astell, Kath Coughlin and Kathryn Robson

Nominations Committee

John Clutton and Paul Croke were appointed on 1 August 2017.

The directors of the subsidiary company are appointed by and from ColegauCymru's Board and for the period were as follows:

Dafydd Evans (Chair)

Sharron Lusher (appointed Chair 1 August 2017) Resigned 30 June 2018

Mike James

Barry Liles (resigned 31 August 2018)

All directors/trustees give their time voluntarily and receive no personal benefits from the charity. Any expenses reclaimed from the charity are set out in note 7 to the accounts.

Roles and Key Responsibilities

The Board is collectively responsible for the charity's long-term success. The Board sets its strategic aims, monitors the performance of management against the strategic aims, ensures good governance, assesses its risk appetite and ensures that effective controls are in place in the business.

The chair, Sharron Lusher plays a key role in helping to ensure a unified Board, facilitating meetings, and ensuring good governance. Meeting agendas are agreed in consultation with the Chief Executive and Company Secretary, although any Director may request that an item be added to the agenda.

Beyond matters reserved for the Board, the Chief Executive, Iestyn Davies has primary responsibility for managing the day to day affairs of the charity and is supported by a senior team in implementing strategy and day to day management.

The Company Secretary, Julie Osman is responsible for supporting the Chair, in ensuring that the charity demonstrates good governance and works to ensure that there are good information flows between the Board, Committees and management of the company.

Activities

During 2017-18, the areas of focus for the Board included:

- strategic review of ColegauCymru
- changes to ColegauCymru's constitution
- three year membership subscription model (2017-18 to 2019-20)
- revised strategic priorities
- risk management
- operational oversight of the ColegauCymru Group

Constitutional Changes

Following a strategic review of ColegauCymru, Members approved at an EGM on 18 July 2017 changes to the charity's constitutional structure and its governing document. The changes comprised of a new representational group structure within the charity, with its own terms of reference, focused on policy and issues affecting the post-compulsory education sector, namely the CEO/Principals' Forum. Under the revised Articles of Association, the Chair and Deputy Chair of the CEO/Principals' Forum are appointed the Chair and Deputy Chair of the newly constituted charity Board.

A schedule of matters reserved for the Board was approved that focuses purely on the management of the charity, with robust processes to challenge information and make informed decisions on the charity's performance and viability. In accordance with the revised Articles of Association, the newly constituted Board comprises of a minimum of five and a maximum of six Trustees. Up to two Chairs of Governing Bodies and up to two independent external professionals maybe appointed Trustees. If there are vacancies, the Board may Co-opt Trustees provided the total number of Trustees does not exceed six. The Chair and Deputy Chair shall serve concurrently for two years whilst the other Trustees may serve for an initial three years, with the option to seek re-appointment for a further three-year term.

Under the new constituted model the Chair and Deputy Chair of the Board is responsible for conducting the CEO's annual performance and the Board is responsible for setting the CEO's remuneration package.

Membership has been widened to include Associate Membership with non-voting rights and every three years the Board shall approve membership subscriptions in consultation with the CEO/Principals' Forum.

The constitutional changes came into effect on the 1 August 2017.

Induction and Development

The Trustees receive an information pack on their legal obligations under charity and company law. To assist them in carrying out their duties all Trustees are expected to meet the standards set out in the charity's Corporate Governance Code which aims to promote effective and well-informed governance.

To support the charity's Trustees an improved secure on-line member' portal is currently being developed. The portal will provide access to all of the charity's information including governing documents, charity commission annual returns, financial performance, relevant policies, procedures, plans and objectives. The portal will act as a central repository where board papers can be accessed and/or downloaded ahead of meetings. The Trustees are also given opportunities to meet staff and are encouraged to attend training events that support the undertaking of their role.

Conflicts of Interest

All Trustees must immediately disclose conflicts, or potential conflicts, of interest. In addition, all Trustees sign an annual declaration and disclose their external appointments. Directors also let the Chairperson and Company Secretary know of any pending appointments and announce any new external appointments at the next Board meeting so that all the Board are made aware.

Board meetings and attendance

In 2017-18, the Board held five scheduled meetings and five additional meetings to review the strategic direction of ColegauCymru. All directors are expected to attend meetings of the Board and of those Committees of which they are a member. When a Director is unable to participate in a meeting, the Chair will seek their views on key items ahead of the meeting so that these can be added to the discussion.

Risk Management

The Board has overall responsibility for the operation and effectiveness of the charity's system of internal controls and risk management. The system of controls is designed to manage the risk of failure to achieve business objectives, and comprises audited policies and procedures aimed at identifying and managing the most significant risks faced by the business.

The Trustees' are of the view, that there is an ongoing process for identifying, evaluating and managing significant risks faced by ColegauCymru and that this process has been in place during the reporting period.

Delegated authority is granted to the following committees that operate under agreed terms of reference:

<i>Audit Committee</i>	to consider detailed reports together with recommendations for the improvement of systems of internal control and management's responses and implementation plans. The Committee meets twice a year, with the external auditors in attendance if requested.
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<i>Nominations Committee</i>	the role of the Committee is to review the succession planning for the Board and to put in place processes to address this, reporting to the main Board.
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The Board receives reports from the Chief Executive and the Audit Committee regarding risk and control issues and how it plans to address these issues.

Governing Document

ColegauCymru is a charitable company limited by guarantee and registered as a charity in January 1997. The company was established under a Memorandum of Association which establishes the objects and powers of the charitable company and is governed under its Articles of Association.

In the event of the charity being wound up after all its debts and liabilities have been satisfied and there remains any property, it shall not be paid to or distributed among the Members of the charity. Instead shall be given or transferred to some other charity or charities having similar objects which prohibits the distribution of its income and property by its charity members at or before the time of dissolution and if that cannot be done then to some other charitable object.

FINANCIAL REVIEW

Total income for the group was £2,180,380 (2017 £1,643,567). The income attributable to rentals receivable under the lease and leaseback arrangements undertaken by fforwm Services Limited has dropped by £86,590 in line with the arrangements coming to an end, the subscription income received from members has reduced by £63,546 due to a change in the methodology for calculating the level of income, which was adopted for the first year in 2017/18, the level of grants received during the year has increased significantly to £1,083,584.

The performance of fforwm Services Limited is commented on separately below.

The group (the company and its trading subsidiary fforwm Services Limited) made a deficit for the year of £11,335 (2017 £12,682) before adjustment for gain / (loss) on pension scheme.

Principal Funding Sources

ColegauCymru continued to be funded through college subscriptions during the year at a level sufficient to meet the budgetary requirements agreed by the Board.

ColegauCymru received £509,615 funding through membership subscriptions from colleges and FE institutions. Other principal sources of income included the receipt of grant income for specific educational projects totalling £1,083,584.

Going Concern Accounting Policy

The financial statements are prepared on a going concern basis. There are no material uncertainties in respect of the charity's ability to continue as a going concern for the foreseeable future, based on latest strategic plans and financial budgets.

Investment Policy

In 2008 it was agreed that an investment should be made by the purchase of new office accommodation more suited to the needs of the charity. This took place on 20 August 2008 and constituted a major investment for the charity. However, the trustees are conscious of the need to also retain funds in a liquid form to meet the requirements of the charity. The trustees closely monitor the returns of the investments.

In order to secure the funds of the charity all investments are made in the company name. The trustees, having considered the operating requirements of the charity and the reserves policy have, for the purpose of security, adopted the policy of holding funds in an interest bearing account with the balance placed on treasury deposit with a major clearing bank. The use of treasury deposits seeks to achieve the best interest rate possible for the funds with no risk attached, however due to the low rates of return on the current investment the policy is to be reviewed and updated.

Reserves Policy

ColegauCymru is aware of the need to secure its viability beyond the immediate future and is committed to providing services over the longer term. In order to continue long term operations it is necessary to be able to absorb unforeseen setbacks and be able to take advantage of opportunities which arise. In order to fulfil this requirement the retention of adequate reserves is necessary. The target level of reserves which ColegauCymru should retain have been identified as follows:

<i>Capital Reserve</i>	To provide funds to meet the existing and future capital spend requirements of ColegauCymru.
<i>Critical/Closure Costs</i>	To retain funds to meet the closure costs which would be incurred should ColegauCymru cease operations. This would allow for a managed cessation of operations and includes <ul style="list-style-type: none"> • redundancy costs for staff • servicing equipment leasing arrangements • building insurance • building maintenance until such time as a sale can be agreed. A two year period has been allowed for the sale of the property. It is proposed that the sale of the property will be used to meet the liabilities of the LGPS pension scheme.
<i>Strategic Reserve</i>	To meet the costing requirements of any strategic items identified within the designated reserves
<i>International Curriculum Development</i>	This represents funds designated to support development of international curriculum
<i>Free Reserves</i>	To target free reserves equivalent to six months operating costs, currently circa £300,000 to enable the completion or wind up of project and other activities

The ColegauCymru reserves policy is reviewed annually by the Board of Directors.

The Directors recognise the need to review the policy, and the values contained within to ensure that it continues to meet the requirements of the charity.

The Directors have recognised the importance to the company of retaining the membership of all the colleges in Wales and of actively pursuing a policy to ensure that the company recognises the needs of the whole sector and caters for them appropriately.

They also recognise the importance to the company of winning bids for projects and research, both in terms of prestige and financial security and conversely the risks involved if the company is unsuccessful in this area.

fforwm Services Limited

fforwm Services Limited was established in 1995 and is the charity's trading subsidiary. The company's principal activities include the provision of service contracts in areas relevant to the parent charity, CPD training for college staff and the wider post-16 education sector, property and equipment leasing. The company had a productive year in 2017/18 with this being a further year of change for the whole organisation. The company was involved in the provision of an annual conference and CPD events, a number of service contracts were also undertaken with some contracts extending into future years.

2017/18 was a year of change for the organisation and included an expansion of contract activity in Fforwm Services Ltd., the Directors are pleased with the overall performance of the company during the year. In future the company plans to continue to participate in contracted services and utilise conference events to provide additional income whilst supporting its policy objectives.

The company made a profit for the year on ordinary activities of £29,152 (2017: £286). A distribution of £31,886 was made to Colleges Wales / Colegau Cymru Ltd during the year.

During the year the company's turnover increased to £573,751 (2017: £182,257). This increase can be attributed mainly to an expansion of the contract services provided to other bodies. The company was successful in securing a number of contracts, with one large contract running between August 2017 and March 2018 leading to a significant increase in turnover for the year.

Limited by Guarantee

The company is limited by guarantee and as such has no shareholders. The members of the company are Wales' FE colleges and institutions.

Related Parties

Due to the nature of the organisation, its membership and the composition of the Board, it is inevitable that transactions will take place with company members. All transactions involving subsidiaries, company members or organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with the organisation's financial regulations.

STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees (who are also the directors of Colleges Wales / Colegau Cymru Limited for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Subject to a diligent tendering process, Bevan Buckland LLP were appointed external auditors for a three period from 2016-17 to 2018-19. ColegauCymru Board formally approved their appointment on 24 October 2017.

This report has been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by charities (issued March 2005) and in accordance with the provisions applicable to companies subject to small companies' regime of the Companies Act 2006.

By Order of the Board


Chair of the Board
Dafydd Evans

Date 5/3/19

REFERENCE AND ADMINISTRATIVE INFORMATION

Company Number:	2832103
Registered Charity Number:	1060182
Registered Office and operational address:	Unit 7 Cae Gwyrdd Greenmeadow Springs Tongwynlais Cardiff CF15 7AB
Auditors:	Bevan Buckland LLP Langdon House Langdon Road Swansea Waterfront SA1 8QY
Solicitors:	Capital Law Capital Building Tyndall Street Cardiff CF10 4AZ
Bankers:	Barclays Bank plc PO Box 69 Cardiff CF1 1SG

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
INDEPENDENT AUDITORS' REPORT
TO THE TRUSTEES OF COLLEGES WALES / COLEGAU CYMRU
FOR THE YEAR ENDED 31 JULY 2018

Opinion

We have audited the financial statements of Colleges Wales / Collegau Cymru Limited Group for the year ended 31 July 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 July 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company'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.

Other Information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Report of the Independent Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
INDEPENDENT AUDITORS' REPORT
TO THE TRUSTEES OF COLLEGES WALES / COLEGAU CYMRU
FOR THE YEAR ENDED 31 JULY 2018

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, 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 in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- *the financial statements are not in agreement with the accounting records and returns; or*
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Trustees.

Responsibilities of trustees

As explained more fully in the Statement of Trustees Responsibilities set out on page 11, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees 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 trustees are responsible for assessing the group'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 trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Our 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 a Report of the Independent Auditors 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.

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
INDEPENDENT AUDITORS' REPORT
TO THE TRUSTEES OF COLLEGES WALES / COLEGAU CYMRU
FOR THE YEAR ENDED 31 JULY 2018

Our responsibilities for the audit of the 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 Report of the Independent Auditors.

Use of our report

This report is made solely to the group's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the group's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.



Alison Vickers (Senior Statutory Auditor)
for and on behalf of Bevan Buckland LLP
Chartered Accountants
And Statutory Auditors
Langdon House
Langdon Road
SA1 Swansea Waterfront
Swansea
SA1 8QY

Date: 5/3/2019

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
AND CONSOLIDATED INCOME EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2018

	Note	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
INCOME AND ENDOWMENTS FROM					
Donations and legacies		-	-	-	-
Charitable activities:	2				
Annual subscriptions		509,615	-	509,615	573,161
Advancement of education for the benefit of the general public		20,403	1,063,181	1,083,584	875,342
Other trading activities:					
Commercial trading operations	5	573,751	-	573,751	182,257
Investments	3	13,430	-	13,430	12,807
Total income		1,117,199	1,063,181	2,180,380	1,643,567
EXPENDITURE ON					
Charitable activities					
Advancement of education for the benefit of the general public	6	555,159	1,091,749	1,646,908	1,474,277
Other trading activities:					
Commercial trading operations	5	544,807	-	544,807	181,685
Total expenditure		1,099,966	1,091,749	2,191,715	1,655,962
NET INCOME / (EXPENDITURE) BEFORE TAXATION		17,233	(28,568)	(11,335)	(12,395)
Taxation		-	-	-	(287)
NET INCOME / (EXPENDITURE)		17,233	(28,568)	(11,335)	(12,682)
Transfers between funds		(5,335)	5,335	-	-
OTHER RECOGNISED GAINS / (LOSSES)					
Actuarial gain / (loss) on defined benefit scheme		128,000	-	128,000	(12,000)
Net movement in funds in year		139,898	(23,233)	116,665	(24,682)
RECONCILIATION OF FUNDS					
Total funds brought forward	14	1,070,071	23,233	1,093,304	1,117,986
TOTAL FUNDS CARRIED FORWARD	14	1,209,969	-	1,209,969	1,093,304

The statement of financial activities includes all gains and losses in the year. All incoming resources and resources expended derive from continuing activities.

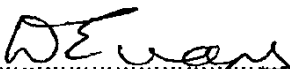
COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
COMPANY NO. 2832103
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 JULY 2018

	Note	2018		2017	
		£	£	£	£
FIXED ASSETS					
Tangible assets	10		555,663		572,920
			555,663		572,920
CURRENT ASSETS					
Debtors	12	184,137		252,331	
Cash at bank and in hand		1,620,110		1,193,830	
		1,804,247		1,446,161	
CREDITORS: amounts falling due within one year	13	(1,089,941)		(748,777)	
NET CURRENT ASSETS			714,306		697,384
TOTAL ASSETS LESS CURRENT LIABILITIES			1,269,969		1,270,304
Defined pension scheme liability	19		(80,000)		(177,000)
TOTAL ASSETS			1,209,969		1,093,304
Represented by:					
FUNDS					
Unrestricted funds	14		1,209,969		1,070,071
Restricted funds	14		-		23,233
			1,209,969		1,093,304

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small charitable companies.

The notes on pages 22 to 46 form part of these accounts.

The Financial Statements were approved by the Board of Trustees on 5/3/19 and signed on their behalf by:



Dafydd Evans - Director & Trustee

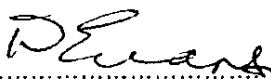
COLLEGES WALES / COLEGAU CYMRU LIMITED
Company Number: 2832103
(Limited by Guarantee)
COMPANY BALANCE SHEET
FOR THE YEAR ENDED 31 JULY 2018

	Note	2018		2017	
		£	£	£	£
FIXED ASSETS					
Tangible assets	10		549,348		562,858
Investments	11		100		100
			549,448		562,958
CURRENT ASSETS					
Debtors	12	206,382		217,991	
Cash at bank and in hand		1,526,713		1,174,989	
		1,733,095		1,392,980	
CREDITORS: amounts falling due within one year	13	(1,027,895)		(703,689)	
NET CURRENT ASSETS			705,200		689,291
TOTAL ASSETS LESS CURRENT LIABILITIES			1,254,648		1,252,249
Defined pension scheme liability	19		(60,000)		(177,000)
TOTAL ASSETS			1,194,648		1,075,249
Represented by:					
FUNDS					
Unrestricted funds	14		1,194,648		1,052,016
Restricted funds	14		-		23,233
			1,194,648		1,075,249

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small charitable companies.

The notes on pages 22 to 46 form part of these accounts.

The Financial Statements were approved by the Board of Trustees on 5/3/19 and signed on their behalf by:


.....

Dafydd Evans - Director & Trustee

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2018

	Note	2018 £	2017 £
Net cash inflow from operating activities:		450,937	(17,393)
Cash flows from investing activities:			
Interest received		1,338	195
Taxation paid		287	
Capital expenditure		(26,282)	(20,475)
Net cash used in investing activities		(24,657)	(20,280)
Change in cash and cash equivalents in the reporting period		426,280	(37,673)
Cash and cash equivalents at the beginning of the reporting period		1,193,830	1,231,503
Cash and cash equivalents at the end of the reporting period		1,620,110	1,193,830

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2018

1 Reconciliation of net consolidated incoming resources for the year to net cash inflow from operating activities	2018	2017
	£	£
Net income for the year before taxation	(11,335)	(12,395)
Depreciation charge	43,539	41,149
(Increase) / Decrease in debtors	68,194	(60,038)
(Decrease) / Increase in creditors	340,877	(28,914)
Interest received	(1,338)	(195)
Defined benefit pension scheme contributions	(98,000)	(70,000)
Defined benefit pension scheme operating cost	105,000	111,000
Net finance expenses from the pension scheme	4,000	2,000
Net cash Inflow from operating activities	450,937	(17,393)

2 Analysis of changes in net fund	At 31 July	Cash	At 31 July
	2017	Flows	2018
	£	£	£
Cash at bank and in hand	1,193,830	426,280	1,620,110

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018

1 PRINCIPAL ACCOUNTING POLICIES

Basis of Accounting and assessment of going concern

The financial statements of the charitable company, which is a public benefit entity under FRS 102, have been prepared in accordance with the Charities SORP (FRS 102) 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value.

The financial statements are prepared on a going concern basis. There are no material uncertainties in respect of the group's ability to continue as a going concern for the foreseeable future, based on latest strategic plans and financial budgets.

Incoming Resources

All income is recognised in the Statement of Financial Activities once the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Subscription fee income is accounted for on an accruals basis and is recognised in the period of membership.

Income from courses and conferences is recognised when the respective event occurs.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Allocation of support costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel, payroll and governance costs which support the Trusts artistic programmes and activities. These costs have been allocated between cost of raising funds and expenditure on charitable activities.

Resources expended

Expenditure is recognised on an accrual basis as a liability is incurred. Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities, and its services for its beneficiaries. Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fee and costs linked to the strategic management of the charity. All costs allocated between the expenditure categories of the SOFA are on a basis designed to reflect the use of the resources. Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel, payroll and governance costs which support the Charity's activities. A note of these costs are detailed in note 5.

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018

PRINCIPAL ACCOUNTING POLICIES - (Cont'd)

Tangible Fixed Assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic life of the assets as follows:

Buildings	50 years*
Computer equipment	3 years
Office equipment	5 years
Fixtures and fittings	10 years

* Buildings - The building was subject to an impairment charge in 2014/15. Following this the revised value of the property was depreciated on a straight line basis over the remaining 43 years.

Debtors

Trade and other debtors are recognised at the settlement amount due.

Cash at bank and In hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

Pension

Pension costs are accounted for on the basis of charging the cost of providing pensions over the period during which the company benefits from the employees services. The Charity pension scheme is a defined benefits scheme.

The Charity participates in the Cardiff and Vale of Glamorgan Pension Fund, a defined benefit scheme for employees. The assets of the scheme are held separately from those of the charity. Many of the key financial assumptions are derived from the yields on AA rated corporate bonds or from yields on Government bonds with the objective of reflecting a best estimate of future experience.

The fund is valued at least every three years by a professionally qualified independent actuary with the rates of contribution payable being determined by the trustees on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pension scheme assets are valued at the market value at the balance sheet date. The pension scheme deficit is recognised in full on the balance sheet.

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018

PRINCIPAL ACCOUNTING POLICIES - (Cont'd)

Fund accounting

The various types of funds for which the Charity is responsible and which require separate disclosure, are as follows:

Unrestricted funds

Funds which are expendable at the discretion of the directors in furtherance of the objects of the charity.

Restricted funds

Subscriptions and grants whose use is restricted to purposes specified by the donor. Such purposes are within the overall aims of the organisation.

Irrecoverable VAT

All resources expended are classified under activity headings that aggregate all costs related to the category. Irrecoverable VAT is charged against the company of resources expended for which it was incurred.

Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Leases

Rentals receivable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Legal Status of the charity

The Charity is a company limited by guarantee and has no share capital. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

Taxation

The Company is registered as a Charity and as such tax exemption applies to the income arising from and expended on charitable activities and to its investment income and gains.

Its subsidiary company, Fforwm Services Limited, gifts their surplus to its holding company. Any surplus remaining is subject to corporation tax.

Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

Basis of consolidation

The financial statements consolidate the results of the charity and its wholly owned subsidiary Fforwm Services Ltd on a line-by-line basis. A separate Statement of Financial Activities and Income and Expenditure Account for the charity has not been presented because the Charity has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018

PRINCIPAL ACCOUNTING POLICIES - (Cont'd)

Employee Benefits

The group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangement and defined benefit and defined contribution pension plans.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Accounting estimates and key judgements

Critical accounting estimates and judgements - Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Retirement benefit liabilities - as disclosed in note 16. Year end recognition of the liabilities under these schemes and the valuation of assets held to fund these liabilities require a number of significant assumptions to be made, relating to levels of scheme membership, key financial market indicators such as inflation and expectations on future salary growth and asset returns. These assumptions are made by the Charity in conjunction with the schemes' actuaries. For each 0.1% change in the discount rate net of inflation, the carrying amount of pension obligations would change by an estimated £100,000.

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018

2 Charitable Activities:	Unrestricted funds	Restricted funds	Total 2018	Total 2017
	£	£	£	£
Annual subscriptions:				
<i>General subscriptions</i>	421,114	-	421,114	543,160
<i>EU/International subscription</i>	48,750	-	48,750	-
<i>Sports subscription</i>	39,751	-	39,751	30,001
Advancement of education for the benefit of the general public:				
<i>Representational Activities</i>	7,527	-	7,527	42,038
<i>Research/Project Activities</i>	12,575	1,063,181	1,075,756	832,893
<i>Training Activities</i>	301	-	301	411
	530,018	1,063,181	1,593,199	1,448,503
3 Investments	Unrestricted funds	Restricted funds	Total 2018	Total 2017
Bank Interest	1,338	-	1,338	195
Room hire	-	-	-	280
Rental Income	12,092	-	12,092	12,332
	13,430	-	13,430	12,807

4 Results of the Parent Company

A separate statement of financial activities and income and expenditure account are not presented for the charity itself following the exemptions afforded by section 408 of the Companies Act 2006 . The parent company's gross income and deficit for the year are as follows:-

	2018	2017
Gross Income	1,838,307	1,461,310
Deficit before actuarial gains/(losses) on pension scheme	(8,601)	(12,967)

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018

5 Commercial trading operations and Investment in trading subsidiary

The company has a wholly owned trading subsidiary, Fforwm Services Limited incorporated in England and Wales, which it acquired on 14 July 1995. Fforwm Services Limited was established to conduct the business activities of Colleges Wales / Colegau Cymru Limited, its parent company. These activities currently comprise the provision of professional training, development courses and property and equipment leasing. The net assets of the subsidiary are £15,423 (2017: £18,157).

The trading results are shown below :

	2018 £	2017 £
Turnover	573,751	182,257
Cost of sales	(500,283)	(158,659)
Gross profit	73,468	23,598
Administrative expenses	(44,524)	(23,026)
Operating profit	28,944	572
Interest receivable and similar income	208	1
Profit on ordinary activities	29,152	573
Tax on profit on ordinary activities	-	(287)
Profit for the financial year	29,152	286
Retained earnings at beginning of year	18,057	17,771
Dividends	(31,886)	-
Retained earnings at end of year	15,323	18,057

These results are wholly included in the consolidated financial statements

COLLEGES WALES / COLEGAU CYMRU LIMITED

(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

6 Resources expended

	Basis of Allocation	Representation & Support	Training	Research & Dev, Inc Projects	Management & Governance	2018	2017
						£	£
Costs Directly Allocated to Activities							
Educational Advancement	Direct	14,009	5,028	886,313	-	885,350	866,183
Staff costs	Direct	273,423	20,260	228,006	33,783	555,494	451,090
Travel	Direct	3,180	228	30,677	6,949	41,034	2,840
Support costs Allocated to Activities							
Accommodation	Staff time	12,064	932	10,482	1,553	25,031	19,367
Administration & Bank Charges	Staff time	22,072	1,229	13,823	2,048	39,172	44,651
Fees and charges	Staff time	18,104	1,392	15,646	2,318	37,460	14,300
Public affairs and other costs	Staff time	22,973	1,054	1,721	255	26,003	41,815
Depreciation	Staff time	18,008	1,392	15,646	2,318	37,364	34,011
Total Resources Expended						1,646,908	1,474,277

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018

7 Directors and employees

No trustees received any remuneration for their services to the company in 2018 or 2017.

No trustees received travel and subsistence expenses in 2018 (2017 £nil).

The average number of persons employed by the company during the year was 13 (2017: 12).

Staff costs for the above consisted of :	2018	2017
	£	£
Wages and salaries	401,054	364,332
Salaries, Social Security & Pension costs allocated to projects	195,886	174,907
Pension costs	109,217	55,641
Social security costs	45,222	32,353
	751,379	627,233

Emoluments of higher paid employees (excluding pension contributions):	2018	2017
£100,000 to £110,000	1	1

The Pensions Contributions relating to the highest paid employee amount to £20,172 (2017: £18,760)

During the year the total employee benefits received by key management personnel amounted to £124,506 (2017: £112,155).

The average number of employees during the year, calculated on the basis of full time equivalents, was as follows:

	2018	2017
Representation & Support	8	9
Training	1	1
Research & Development, inc. Projects	3	1
Governance	1	1
	13	12

8 Net incoming / (outgoing) resources

	2018	2017
	£	£
Net incoming / (outgoing) resources are stated after charging / (crediting) the following :		
Depreciation on owned tangible fixed assets	43,539	28,124
<i>Operating lease rental:</i>		
Land and buildings	44,250	199,750
Equipment	7,051	7,051
<i>Auditors' remuneration:</i>		
Audit work (group & companies)	6,235	6,769
Non-audit work	7,350	5,670
Legal and professional fees	13,009	21,125

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
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9 Analysis of pension costs charged to the Statement of Financial Activities

	2018 £	2017 £
Current service charge	105,000	111,000
Total operating charge to Statement of Financial Activities	105,000	111,000
	2018 £	2017 £
Interest income on scheme assets	(65,000)	(54,000)
Interest expense on defined benefit obligation	69,000	56,000
Interest charged to Statement of Financial Activities	4,000	(2,000)
Net cost to Statement of Financial Activities	109,000	109,000

10 Tangible fixed assets - Group

	Freehold Property £	Office equipment £	Fixtures & Fittings £	Computer equipment £	Total £
Cost					
At 1 August 2017	843,650	50,606	91,905	53,484	1,039,645
Additions at cost	-	22,840	2,380	1,062	26,282
Disposals at cost	-	(3,309)	-	-	(3,309)
At 31 July 2018	843,650	70,137	94,285	54,546	1,062,618
Depreciation					
At 1 August 2017	323,998	37,338	75,594	29,795	466,725
Charge for the year	12,674	7,720	9,429	13,716	43,539
Disposals	-	(3,309)	-	-	(3,309)
At 31 July 2018	336,672	41,749	85,023	43,511	506,955
Net book value					
At 31 July 2018	506,978	28,388	9,262	11,035	555,663
At 31 July 2017	519,652	13,268	16,311	23,689	572,920

COLLEGES WALES / COLEGAU CYMRU LIMITED
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10 Tangible fixed assets - Company

	Freehold Property £	Office equipment £	Fixtures & Fittings £	Computer equipment £	Total £
Cost					
At 1 August 2017	843,650	36,935	60,671	41,321	982,577
Additions at cost	-	20,460	2,380	1,014	23,854
Disposals at cost	-	(3,309)	-	-	(3,309)
At 31 July 2018	843,650	54,086	63,051	42,335	1,003,122
Depreciation					
At 1 August 2017	323,998	25,375	47,713	22,633	419,719
Charge for the year	12,674	7,527	6,305	10,858	37,364
Disposals	-	(3,309)	-	-	(3,309)
At 31 July 2018	336,672	29,593	54,018	33,491	453,774
Net book value					
At 31 July 2018	506,978	24,493	9,033	8,844	549,348
At 31 July 2017	519,652	11,560	12,958	18,688	562,858

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11 Fixed asset investments	Company 2018 £	Company 2017 £
Investment in subsidiary	100	100

Information relating to the charity's trading subsidiary, Fforwm Services Limited, registered in England and Wales and its activities during the year, are shown in note 5.

12 Debtors	Group 2018 £	Company 2018 £	Group 2017 £	Company 2017 £
Amounts falling due within one year				
Trade debtors	10,819	4,565	47,101	46,585
Accrued income	145,740	107,860	162,560	159,174
Amounts due from subsidiary undertaking	-	77,970	-	-
Other taxation and social security	-	-	18,345	-
Prepayments	27,578	15,987	24,325	12,232
	184,137	206,382	252,331	217,991

13 Creditors : amounts falling due within one year	Group 2018 £	Company 2018 £	Group 2017 £	Company 2017 £
Trade creditors	194,975	184,538	127,462	123,382
Accruals	263,044	249,381	152,103	147,296
Deferred income	617,262	580,729	449,618	410,284
Corporation tax	-	-	287	-
Amounts due to subsidiary undertaking	-	-	-	3,420
Other taxation and social security	14,660	13,247	19,307	19,307
	1,089,941	1,027,895	748,777	703,689

COLLEGES WALES / COLEGAU CYMRU LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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Note 13 (cont...)

Deferred income is analysed as follows and relates to income which has been received in the year for activities which occur in 2018/19.

	2018 £	2017 £
EU/International	13,571	-
WFEP	-	7,756
Lease finance agreements for future periods	-	31,577
Cardiff Met	180	-
Erasmus + Learner 2017-18	-	214,874
Rent - City & Guilds	1,094	834
Restricted Call 2	27,335	72,251
KA2 - Valencia	-	357
Erasmus + Sport	26,233	87,931
Erasmus + Promotion	-	7,532
Erasmus + Post	525,887	26,506
	594,300	449,618

14 Funds - Group	At 01.08.17 £	Incoming resources	Resources expended	Transfer between fund	Actuarial Gain on pension	At 31.07.18 £
Unrestricted funds						
General Fund	122,151	1,117,199	(1,056,427)	(95,188)	128,000	215,735
Capital Asset Reserve	572,920	-	(43,539)	26,282	-	555,663
Critical / Closure costs	300,000	-	-	-	-	300,000
Strategic reserve	50,000	-	-	-	-	50,000
Capital Spend Reserve	25,000	-	-	50,000	-	75,000
International Curriculum Development	-	-	-	13,571	-	13,571
	1,070,071	1,117,199	(1,099,966)	(5,335)	128,000	1,209,969
Restricted funds						
Research/Project Activities	23,233	1,063,181	(1,091,749)	5,335	-	-
TOTAL FUNDS	1,093,304	2,180,380	(2,191,715)	-	128,000	1,209,969

COLLEGES WALES / COLEGAU CYMRU LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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14 Funds - (Con't)

Funds - Company

	At 01.08.17 £	Incoming resources	Resources expended	Transfer between fund	Actuarial Gain on pension	At 31.07.18 £
Unrestricted funds						
General Fund	114,158	575,126	(517,795)	(92,760)	128,000	206,729
Capital Asset Reserve	562,858	-	(37,364)	23,854	-	549,348
Critical / Closure costs	300,000	-	-	-	-	300,000
Strategic reserve	50,000	-	-	-	-	50,000
Future Capital Reserve	25,000	-	-	50,000	-	75,000
International Curriculum Development	-	-	-	13,571	-	13,571
	1,052,016	575,126	(555,159)	(5,335)	128,000	1,194,648
Restricted funds						
Research/Project Activities	23,233	1,063,181	(1,091,749)	5,335	-	-
TOTAL FUNDS	1,075,249	1,638,307	(1,646,908)	-	128,000	1,194,648

The restricted funds received during the year were as follows:

	Opening balance £	Income £	Expenditure £	Transfer from unrestricted funds £	Closing balance £
Erasmus + Sport	-	58,880	60,477	1,597	-
Erasmus + Promotional	-	15,381	15,775	394	-
Erasmus + Staff 2017	-	1,729	2,821	1,092	-
ALN	-	82,277	82,277	-	-
VETS	-	44,917	44,917	-	-
EQAVET Restricted Call	23,233	148,500	171,733	-	-
Sport	-	124,692	124,692	-	-
Welsh	-	2,800	2,800	-	-
Wellbeing	-	21,578	22,800	1,221	-
GCSE	-	2,642	2,751	109	-
Erasmus +	-	1,141	1,141	-	-
Erasmus + Learner	-	621	621	-	-
Erasmus + Post	-	226,874	226,873	-	-
Erasmus + Learner 2017	-	70,850	70,858	8	-
KA2	-	1,457	1,457	-	-
EQAVET NRP Rest. Call 2	-	2,347	2,347	-	-
Prevent	-	4,150	5,063	914	-
Erasmus + Learner 2018	-	252,347	252,347	-	-
	23,233	1,063,181	1,091,748	5,335	-

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13 Funds - (Con't)

Sports – the project provides funding for the development of sports and physical activity and aims to increase the participation and volunteering in Fe in Wales. The funding is aimed at under-represented groups, including females, ethnic minorities and communities first areas. Typically, the funding will support new activity

Erasmus + Sport - The Youth Sport Development Ambassadors (YSDA) Project is a project that will see 7 European countries work together to develop new opportunities for young volunteers to gain European experience in sports development. The project has recruited ambassadors from each country who will be fully trained as YSDAs. The great opportunity gives them the role to create and develop new physical activities for their peer groups in their countries. The project also looks to help tackle inactivity among ethnic minorities in their local communities. The YSDA project will encourage the young volunteers to develop these disengaged social groups through physical activities.

Welsh 4 Apps and Extension - The first part of the project funded the development of a website to host bilingual teaching and learning resources in subject areas such as motor vehicle, tourism, business services and bilingual teaching methodology. A number of colleges were involved in the project, gathering the subject specific data. Coleg Sir Gâr took responsibility for the resource development, and the resources are now live on the website, alongside previous resources developed in health and social care and construction. To support the first part of the project, further funding was received to enable a piece of research into learner impression on the Welsh language. This study was undertaken by BlwBo and aided by Sgiliaith. The findings were presented to the Bilingual Champion network.

ALN – ColegauCymru / CollegesWales is running a Welsh Government funded project to support colleges as they prepare for the implementation of the ALNET Act. As part of this, an ALN Transformation Lead has been employed. On behalf of Welsh Government, ColegauCymru is also co-ordinating a series of projects on provision and practice in the Independent Living Skills (ILS) curriculum area. We are working with representatives from colleges and wider stakeholders to capture and share existing best practice to develop the ILS curriculum and Learning Area Programme (LAP).

Well-being- the City and County of Swansea's Sustainable Development Unit and Netherwood Sustainable Futures were commissioned, to consider how ready the FE colleges are for this new focus for the public sector, both as corporate bodies and as education providers and how the FE sector can most efficiently respond to the legislation and maximise the benefits for their strategic, corporate and delivery mechanisms.

Prevent – the purpose of the funding is to develop and deliver counter terrorism continued professional development (CPD)

Erasmus + Post – The Welsh Government provided funding to build capacity within CollegesWales to increase its drawdown of European funding such as Erasmus +. Research work undertaken has focussed on the engagement of the FE colleges in past funding programmes as well as an indication of future engagement in EU funding programmes.

Erasmus+ 2016 ~ learner - Funding was approved in May 2016 to enable 215 vocational learners and apprentices to undertake 2 week work placements in Europe. The project was completed on 31 August 2018, the final report was submitted by 31 October 2018 and the final payment was received by CollegesWales in December 2018.

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13 Funds - (Con't)

Erasmus+ 2016 – staff - Funding was approved in May 2016 to enable 22 staff from FE colleges and other appropriate organisations in Wales to undertake a 5 day study visit to Catalonia, Spain. The visit took place in May 2017. The project end date was 31 May 2018, the final report was submitted by 31 July 2018 and the final payment was received by CollegesWales in September 2018.

Erasmus+ 2017 – learner - Funding was approved in May 2017 to enable 481 vocational learners and apprentices to undertake 2 week work placements in Europe. The total value of the project is €1,044,000 and the project end date is 31 August 2019 with the final report due on 31 October 2019.

Erasmus+ 2017 – staff - Funding was approved in May 2017 to enable 16 staff from FE colleges and other appropriate organisations in Wales to undertake a 5 day study visit to Sonderborg, Denmark. The visit took place in April 2017. The project end date is 31 August 2019 with the final report due on 31 October 2019.

Erasmus+ Promotion in Wales - Funding was received from the European Commission's Representation Office in London to promote Erasmus+ in Wales. The project started on 1 January 2017 and ended on 31 December 2017. CollegesWales received the final payment in July 2018 following the approval of the final report.

Erasmus+ Key Action 2 - CollegesWales was a partner in an Erasmus+ Key Action 2 project that ran from October 2016 to October 2017. The lead partner, CIPFP La Costera, submitted the final report in December 2017 and CIPFP la Costera received final approval in the first quarter of 2018.

EQAVET restricted call 2017 - CollegesWales was successful in applying for funding to undertake research in to the economic resilience of regions of Europe compared to Wales following the economic downturn. The project started on 1 April 2017 and will end on 31 March 2019.

EQF Workplan - Funding was approved in July 2018 to enable Wales and Scotland to re-reference their qualifications frameworks to the European Qualifications Framework (EQF). The total value of the project is €167,061. It is a 3 year project running from 1 March 2018 for 34 months ending 31 December 2020.

COLLEGES WALES / COLEGAU CYMRU LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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14 Funds - (Con't)

The unrestricted funds held by the charity at 31st July 2018 were as follows:

	£	
General Fund	215,735	This represents general unrestricted funds for use within the charity
Existing Capital Reserve	555,663	This represents funds designated for the net book value of capital assets held within the Charity at the year end.
Critical / Closure costs	300,000	To meet the potential closure costs which would be incurred should the charity cease.
Strategic reserve	50,000	To meet the costs of strategic expenditure identified within the designated reserves which are funded through income and expenditure account.
Future Capital Reserve	75,000	This represents future plans for capital spend
International Curriculum Development	13,571	This represents funds designated to support development of international curriculum.
	<u>1,209,969</u>	

Analysis of assets between funds:

	Unrestricted General Funds £	Restricted Funds £	Total Funds 2018 £	Total Funds 2017 £
Tangible Fixed Assets	555,663	-	555,663	572,920
Current Assets	1,209,947	594,300	1,804,247	1,446,161
Current Liabilities	(555,641)	(594,300)	(1,149,941)	(925,777)
	<u>1,209,969</u>	<u>-</u>	<u>1,209,969</u>	<u>1,093,304</u>

15 Leasing agreements

Minimum lease payments under non-cancellable operating leases fall due as follows:

GROUP ONLY	Properties £	Other £	2018 £	2017 £
Within one year	84,439	-	84,439	201,341
Between one and five years	-	16,947	16,947	88,558
	<u>84,439</u>	<u>16,947</u>	<u>101,386</u>	<u>289,899</u>

COLLEGES WALES / COLEGAU CYMRU LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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16 Comparative Statement of Financial Activities

Note	Unrestricted funds £	Restricted funds £	Total 2017 £
INCOME AND ENDOWMENTS FROM			
Donations and legacies	-	-	-
Charitable activities:			
Annual subscriptions	573,161	-	573,161
Advancement of education for the benefit of the general public	64,577	810,765	875,342
Other trading activities:			
Commercial trading operations	182,257	-	182,257
Investments	12,807	-	12,807
Other activities:			
Net finance income from pension assets	-	-	-
Total income	832,802	810,765	1,643,567
EXPENDITURE ON			
Charitable activities			
Advancement of education for the benefit of the general public	671,457	802,820	1,474,277
Other trading activities:			
Commercial trading operations	181,685	-	181,685
Total expenditure	853,142	802,820	1,655,962
NET INCOME / (EXPENDITURE) BEFORE TAXATION	(20,340)	7,945	(12,395)
Taxation	(287)	-	(287)
NET INCOME / (EXPENDITURE)	(20,627)	7,945	(12,682)
Transfers between funds	(15,288)	15,288	-
OTHER RECOGNISED GAINS / (LOSSES)			
Actuarial (loss) / gain on defined benefit scheme	(12,000)	-	(12,000)
Net movement in funds in year	(47,915)	23,233	(24,682)
RECONCILIATION OF FUNDS			
Total funds brought forward	1,117,986	-	1,117,986
TOTAL FUNDS CARRIED FORWARD	1,070,071	23,233	1,093,304

The statement of financial activities includes all gains and losses in the year. All incoming resources and resources expended derive from continuing activities.

COLLEGES WALES / COLEGAU CYMRU LIMITED
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17 Capital commitments and contingencies

There were no capital commitments as at 31 July 2018 (2017: nil)

18 Post balance sheet events

No new leases have been taken out since the year-end.

19 Pensions

The charity participates in the Cardiff & Vale of Glamorgan pension fund (the "Fund"), which is part of the Local Government Pension Scheme. Colegau Cymru / Colleges Wales participates in the Fund which provides defined benefits on members' final pensionable salary. In accordance with FRS17 - Retirement Benefits disclosure defined benefits, of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

Contributions for the year ending 31 July 2018

The Employer's regular contributions to the fund for the year ending 31 July 2018 are estimated to be £0.092M. In addition, Strain on Fund Contributions may be required.

Assumptions

The latest actuarial valuation of Colleges Wales liabilities took place as at 31 March 2018. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for FRS17 purposes were:

	31-Jul-18 (% pa)	31-Jul-17 (% pa)	31-Jul-16 (% pa)
Discount rate	2.8	2.6	2.3
RPI inflation	3.2	3.1	2.9
CPI inflation	2.1	2.0	1.8
Rate of increase to pensions in payment	2.1	2.0	1.8
Rate of revaluation of pension accounts	2.1	2.0	1.8
Rate of general increase in salaries	3.1	3.0	2.8

Mortality Assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

Assumed life expectancy at age 65

	31 July 18	31 July 17
Males		
Future lifetime from age 65 (current aged 65)	23.1	23.0
Future lifetime from age 65 (current aged 45)	24.2	24.0
Females	31 July 18	31 July 16
Future lifetime from age 65 (current aged 65)	25.8	25.7
Future lifetime from age 65 (current aged 45)	27.2	27.1

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19 Pensions - (Cont'd)

Reconciliation of funded status to balance sheet

	Value at 31 July 2018 (£M)	Value at 31 July 2017 (£M)	Value at 31 July 2016 (£M)
Fair value of fund assets	2.699	2.487	2.339
Present value of liabilities	(2.759)	(2.664)	(2.461)
Funded status	(0.060)	(0.177)	(0.1220)
Unrecognised asset	0.000	0.000	0.000
Pension asset/(liability) recognised on the Balance Sheet	(0.060)	(0.177)	(0.1220)

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NOTES TO THE FINANCIAL STATEMENTS
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19 Pensions - (Cont'd)

Amounts recognised in Income Statement	Year ending 31 July 2018 (£M)	Year ending 31 July 2017 (£M)
Operating Cost		
Current service costs	0.105	0.111
Past service costs	0.000	0.000
Curtailment cost	0.000	0.000
Settlement cost	0.000	0.000
Financing Cost		
Interest costs	0.004	0.002
Expense recognised in Profit and Loss	0.109	0.113

Allowance for administration expenses included in Current Service Cost in 2018 £0.001m and 2017 £0.001m.

Changes to the present value of liabilities during the year	Year ending 31 July 2018 (£M)	Year ending 31 July 2017 (£M)
Opening present value of liabilities	2.664	2.461
Current service cost	0.105	0.111
Interest cost	0.069	0.056
Contributions by participants	0.028	0.024
Actuarial (gains)/losses on liabilities *	(0.029)	0.089
Net benefits paid out #	(0.078)	(0.077)
Past service cost	0.000	0.000
Net increase in liabilities from disposals and acquisitions	0.000	0.000
Curtailments	0.000	0.000
Settlements	0.000	0.000
Closing present value of liabilities	2.759	2.664

* Includes changes to the actuarial assumptions

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

COLLEGES WALES / COLEGAU CYMRU LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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19 Pensions - (Cont'd)

Changes to the fair value of assets during the year	Year ending 31 July 2018 (£M)	Year ending 30 July 2017 (£M)
Opening fair value of assets	2.487	2.339
Interest income on assets	0.065	0.054
Remeasurement gains/(losses) on assets	0.099	0.08
Contribution by the employer	0.098	0.070
Contribution by participants	0.028	0.024
Net benefits paid out #	(0.078)	(0.077)
Net increase in assets from disposals and acquisitions	0.000	0.000
Settlements	0.000	0.000
Closing fair value of assets	2.699	2.487

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

Actual return on assets	Year ending 31 July 2018 (£M)	Year ending 30 July 2017 (£M)
Interest income on assets	0.065	0.054
Gain/(Loss) on assets	0.099	0.077
Actual return on assets	0.164	0.131

Analysis of amount recognised in Other Comprehensive Income	Year ending 31 July 2018 (£M)	Year ending 30 July 2017 (£M)
Asset gains/(losses) arising during the period	0.105	0.108
Liability gains/(losses) arising during the period	0.000	0.000
Total (loss) in OCI	0.105	0.108

COLLEGES WALES / COLEGAU CYMRU LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018

20 EFFECT OF PENSION ON THE DEFICIT FOR THE YEAR

	2018 £	2017 £
(Deficit) / Surplus before pension adjustment	(335)	30,318
Pension adjustment included in the Income & expense account		
Employers contributions transferred against liability	(98,000)	(70,000)
Pension adjustment	105,000	111,000
Finance cost	4,000	2,000
(Deficit) per accounts	(11,335)	(12,682)

COLLEGES WALES / COLEGAU CYMRU LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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21 Related party transactions

Due to the nature of the charity's activities and the composition of its board of directors and that of its subsidiary undertaking Fforwm Services Limited, (being principals and Governors of Further Education colleges in Wales) it is inevitable that in the course of its normal business activities, the charity will undertake transactions with those Colleges in which a member of the board of the charity, or its subsidiary undertaking will have an interest.

All transactions involving Colleges in which a member of either Board of Directors may have an interest are conducted at arms length and in accordance with the charity's normal financial procedures.

The trustees' of the charity during the year and their relationship with the respective Colleges were :

Director	College	Relationship
Guy Lacey (appointed 01/07/18)	CEO/Principal, Coleg Gwent	Trustee
Sharron Lusher (resigned 30/06/18)	CEO/Principal, Pembrokeshire College	Trustee
Dafydd Evans (chair 01/07/18)	CEO/Principal, Grŵp Llandrillo Menai	Trustee
John Clutton (appointed 1/08/17)	Chair, Coleg Cambria	Trustee
Paul Croke (appointed 1/8/17)	Chair, Bridgend College	Trustee
Iestyn Morris (appointed 1/8/17)	Partner, Capital Law	Trustee

The Directors of the subsidiary undertaking, Fforwm Services Limited, during the year and their

Director	College	Relationship
Dafydd Evans (chair 1 July 2018)	CEO/Principal, Grŵp Llandrillo Menai	Director
Mike James	CEO/Principal, Cardiff and Vale College	Director
Sharron Lusher (resigned 30 June 2018)	CEO/Principal, Pembrokeshire College	Director
Barry Liles (resigned 31 August 2018)	CEO/Principal, Coleg Sir Gâr and Director Coleg Ceredigion	

The invoices issued to the relevant colleges during the year were for subscriptions for membership of Colegau Cymru / Colleges Wales, fees for attending network, staff development and governance events and reimbursement of projects costs. Payments made to colleges were for catering at network events, work carried out on project activities.

Dafydd Evans (appointed 1 August 2018)	CEO/Principal, Grŵp Llandrillo Menai	Director
----------------------------------------	--------------------------------------	----------

The invoices issued to the relevant colleges during the year were for subscriptions for membership of Colegau Cymru / Colleges Wales, fees for attending network, staff development and governance events and reimbursement of projects costs. Payments made to colleges were for catering at network events, work carried out on project activities.

Included in debtors is an amount of £77,970 (2017: creditor £3,420) due from Fforwm Services Limited, the charity's trading subsidiary.

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NOTES TO THE FINANCIAL STATEMENTS
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21 Related party transactions - (Con't)

Income invoiced to Colleges during the year

during the year	Sub- scription Sport	EU/Int	ALIS / Other	FSL	Total	
	£	£	£	£	£	
Bridgend College	39,291	2,398	3,750	398	1,661	47,498
Cardiff and Vale College	40,000	3,666	3,750	380	459	48,255
Coleg Sir Gâr and Coleg Ceredigion	40,000	3,529	3,750	702	1,662	49,643
Coleg Gwent	40,000	4,898	3,750	2,380	590	51,618
Coleg y Cymoedd	40,000	3,801	3,750	1,640	1,525	50,716
Coleg Cambria	40,000	4,632	3,750	343	298	49,023
Gower College Swansea	40,000	3,179	3,750	1,038	1,021	48,988
Grŵp Llandrillo Menai	40,000	5,040	3,750	704	1,388	50,882
The College Merthyr Tydfil Ltd	20,130	1,594	3,750	754	931	27,159
NPTC Group of Colleges	40,000	3,360	3,750	2,072	1,107	50,289
Pembrokeshire College	25,273	1,780	3,750	1,098	740	32,641
St David's Catholic Sixth Form College *	2,500	540	3,750	118	334	7,242
Adult Learning Wales	13,920	1,334	3,750	269	180	19,453
Total	421,114	39,751	48,750	11,896	11,896	533,407

* Associate member

Payments to Colleges during the year

	Catering/ Accom.	Projects	Other	FSL	Total
	£	£	£	£	£
Bridgend College	-	84,246	-	20,800	105,046
Cardiff and Vale College	200	131,881	300	26,000	158,381
Coleg Sir Gâr and Coleg Ceredigion	-	55,187	-	52,300	107,487
Coleg Gwent	-	10,800	-	8,100	18,900
Coleg y Cymoedd	-	94,048	-	21,700	115,748
Coleg Cambria	-	26,448	-	40,500	66,948
Gower College Swansea	1,550	38,935	-	27,000	67,485
Grŵp Llandrillo Menai	1,121	28,979	-	65,000	95,100
The College Merthyr Tydfil Ltd	144	27,156	-	21,600	48,900
NPTC Group of Colleges	-	47,767	-	5,400	53,167
Pembrokeshire College	-	15,500	-	27,000	42,500
St David's Catholic Sixth Form College *	-	-	-	1,050	1,050
Total	3,015	560,947	300	316,450	880,712

* Associate member

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018

21 Related party transactions - (Con't)

The following amounts were receivable from Colleges at 31 July 2018:

£	
Cardiff and Vale College	135
Coleg Sir Gâr and Coleg Ceredigion	310
Gower College Swansea	565
Merthyr Tydfil College	225
Total	1,235

The following amounts were payable to Colleges at 31 July 2018:

£	
Gower College Swansea	(3)
Merthyr Tydfil College	23,156
NPTC Group	33,806
Total	56,959