



CollegesWales / ColegauCymru Limited

Annual Report and Consolidated Accounts for the Year Ended 31 July 2019

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 2019.

Structure

ColegauCymru is a post-compulsory education charity that represents 11 further education (FE) colleges and 2 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 2018-19 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. Research undertaken for ColegauCymru by EMSI and published in 2017, 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 2018/19.
- Represented the views of Members through policy position statements and press releases.
- Submitted 12 consultation responses on policy matters affecting the decisions of post-16 learners in Wales to Welsh Government or National Assembly for Wales Committee. Topics covered included education, skills and training, mental health and delivering on the new curriculum for Wales.
- Contributed to oral evidence sessions to committees including a session on Research and Innovation with the Economy, Infrastructure and Skills 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.
- Held an annual conference and other relevant conferences to support post-16 education in Wales. The annual conference on the theme of 'Devolution and Delivering Public Value in Education', focused on the importance of the 'Global College' in delivering post-16 and lifelong learning opportunities.
- ColegauCymru prides itself on collaborative working and continues to work closely with key stakeholders from education and further afield, these include Welsh Government, Sport Wales, British Council, EWC, Estyn, Qualifications Wales, HEFCW, LWI, NTFW, Coleg Cymraeg Cenedlaethol, Y Ganolfan Dysgu Cymraeg, AoC and others and with colleges to ensure that the FE sector was well placed in terms of future developments.
- Supported initiatives that promoted and demonstrated the value of vocational skills, including Skills Competitions Wales; WorldSkills UK, and VQ Day.
- ColegauCymru launched the European research report "Building a Better Wales: Lessons from Europe".
- Negotiated with trade unions on behalf of the sector to secure a pay award for 2018/19.
- Worked with Welsh Government to support Members in the delivery of projects to support mental health in the FE sector.
- ColegauCymru attended three party political conferences during the year. These were Welsh Labour, Plaid Cymru and the Welsh Conservatives.

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

CollegesWales (UK) International is the international arm of ColegauCymru. We support the FE colleges in Wales to integrate international activities into the daily life of their learners and staff to enrich and enhance their teaching and learning experiences.

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 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 as well as internationalisation of vocational education and training (VET) in Finland and Italy in 2018/19. 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. In 2019 ColegauCymru was successful in obtaining funding for staff to visit Baden-Württemberg, Germany to explore the impact and implications of digitalisation on VET.

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 2019, ColegauCymru had its most successful year with its learner mobility project attracting just over €1.5m. This funding will enable 640 learners from 11 FE colleges to benefit from a two week work placement in one of 11 European countries.

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 has worked closely with Qualifications Wales and other key stakeholders to re-reference the Credit and Qualifications Framework for Wales (CQFW) to the European Qualifications Framework (EQF). ColegauCymru submitted a successful funding application to the European Commission to do this work and the report will be published in October 2019.

As the EQAVET National Reference Point ColegauCymru secured funding of €110k to investigate the link between higher level skill and economic resilience. "Building a better Wales – lessons from Europe" is an important report presenting the findings of this two year research project. Staff and learners from Welsh colleges took part in various EQAVET activities, gave presentations on VET developments in Wales and also learnt from best practice in other EU countries.

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.

2018/19 Achievements

- 6000+ 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
- Senedd Round Table event – Sport, Physical Activity and Wellbeing
- 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 75% of project activity involving non-sporty groups participating in physical activity and wellbeing activity
- All project delivery now inclusive in delivery to groups with disabilities
- New – FE Multisport, Pembrey 2019 duathlon for competitive and participation options

Welsh Government 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
- 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 2019

Welsh and Bilingual Projects

Cymraig Gwaith – In 2018/19 ten colleges were part of the project with 210 individuals undertaking 120 hours of Welsh during the year. This is also the target for 2019/20, with 11 colleges taking part for this academic year. There has been a focus on the Welsh Government priority areas, with 17% of learners from the Care and Childcare departments. The majority of learners study at entry level, with the intake each year a mixture of lecturers continuing as well as new lecturers. 92% of learners during the 2018/19 project noted that they used ‘more’ Welsh in the college since beginning the project, with 93% noting that they are ‘more confident’ in their Welsh skills since beginning this project.

Additional Learning Needs

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). As part of the support to colleges as they prepare for the implementation of ALNET ColegauCymru has:

- Worked with transformation leads, LAs, FEIs and health boards within the four regions to promote collaboration
- Delivered training to 15 college INSET events
- Presented on the FEI perspective at five national conferences
- Developed and organised two train-the-trainer programmes attended by staff from 12 colleges on inclusive practice and effective support
- Organised and delivered three national training events to support college transformation
- Produced and shared five key documents to support college ALN development
- Created a Basecamp project sharing site to ensure all colleges can benefit from the development work going on across the Principality

More Able and Talented Learners in FE

ColegauCymru continued to work with Markit Training and Consultancy Ltd. and completed a Welsh Government-funded project on more able and talented learners in Further Education. The project aimed 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.

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 2019-20 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 (age 58)
 CEO/PRINCIPAL, GRŴP 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.



DEPUTY CHAIR – GUY LACEY (age 54)
 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 (age 71)
 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 (age 68)
 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.

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, Dafydd Evans 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 2018-19, 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.

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 2018-19, the Board held four scheduled meetings and four 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:

Audit Committee - 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.

Search Committee - 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.

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 £2,615,497, an increase of £435,117. The income attributable to rentals receivable under the lease and leaseback arrangements undertaken by fforwm Services Limited remains unchanged but, the level of grants received during the year has increased significantly to £1,765,247. 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 £42,522 (2018: deficit of £12,335) after an actuarial gain on the defined benefit 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 £532,624 funding through membership subscriptions from colleges and FE institutions.

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"> • Notice of termination and 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. |

Strategic Reserve To meet the costing requirements of any strategic items identified within the designated reserves

Free Reserves To target free reserves equivalent to six months operating costs, currently circa £400,000 to enable the completion or wind up of project and other activities

The ColegauCymru reserves policy is regularly reviewed by the Board of Directors to assess the values contained within and 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.

2018/19 was a further year of change for the organisation with a reduction on the previous years contract service activity in Fforwm Services Ltd. The company benefited from the repayment of a long-term debt linked to the former lease and leaseback scheme. The Directors are pleased with the overall performance of the company during the year as the reduction in contract activity was expected. 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 £34,739 (2018: £29,152). A distribution of £36,695 (2018: £31,886) has been made to Colleges Wales / ColegauCymru Ltd.

During the year the company's turnover decreased to £147,520 (2018: £573,751). This decrease can be attributed mainly to a reduction in the contract services provided to other bodies, it should be noted that 2017/18 was an exceptional year for contract activity for Fforwm Services Ltd. and the reduced level for 2018/19 was anticipated at the start of the financial 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.

DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law that Directors have elected to prepare the financial statements in accordance with United Kingdom General Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make sound judgments and estimates that are reasonable and prudent
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 2006 and the Statement of Recommended Practice, Accounting and Reporting by Charities (issued March 2005). They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Subject to a diligent tendering process, Bevan & Buckland were appointment 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

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 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 2019

Opinion

We have audited the financial statements of Colleges Wales / Collegau Cymru Limited Group for the year ended 31 July 2019 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 2019 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 2019

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 2019

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:

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
AND CONSOLIDATED INCOME EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2019

| | Note | Unrestricted funds £ | Restricted funds £ | Total 2019 £ | Total 2018 £ |
|--|------|----------------------------|--------------------------|--------------------|--------------------|
| INCOME AND ENDOWMENTS FROM | | | | | |
| Donations and legacies | | - | - | - | - |
| Charitable activities: | 2 | | | | |
| Annual subscriptions | | 532,624 | - | 532,624 | 509,615 |
| Advancement of education for the benefit of the general public | | 44,208 | 1,878,134 | 1,922,342 | 1,083,584 |
| Other trading activities: | | | | | |
| Commercial trading operations | 5 | 147,520 | - | 147,520 | 573,751 |
| Investments | 3 | 13,011 | - | 13,011 | 13,430 |
| Total income | | 737,363 | 1,878,134 | 2,615,497 | 2,180,380 |
| EXPENDITURE ON | | | | | |
| Charitable activities | | | | | |
| Advancement of education for the benefit of the general public | 6 | 603,403 | 1,920,464 | 2,523,867 | 1,646,908 |
| Other trading activities: | | | | | |
| Commercial trading operations | 5 | 134,152 | - | 134,152 | 544,807 |
| Total expenditure | | 737,555 | 1,920,464 | 2,658,019 | 2,191,715 |
| NET INCOME / (EXPENDITURE) | | (192) | (42,330) | (42,522) | (11,335) |
| Transfers between funds | | (42,330) | 42,330 | - | - |
| OTHER RECOGNISED GAINS / (LOSSES) | | | | | |
| Actuarial (loss) / gain on defined benefit scheme | | (244,000) | - | (244,000) | 128,000 |
| Net movement in funds in year | | (286,522) | - | (286,522) | 116,665 |
| RECONCILIATION OF FUNDS | | | | | |
| Total funds brought forward | 14 | 1,209,969 | - | 1,209,969 | 1,093,304 |
| TOTAL FUNDS CARRIED FORWARD | 14 | 923,447 | - | 923,447 | 1,209,969 |

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 2019

| | Note | 2019 | | 2018 | |
|---|------|--------------------|------------------|-------------|-----------|
| | | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Tangible assets | 10 | | 528,337 | | 555,663 |
| | | | 528,337 | | 555,663 |
| CURRENT ASSETS | | | | | |
| Debtors | 12 | 349,716 | | 184,137 | |
| Cash at bank and in hand | | 1,809,446 | | 1,620,110 | |
| | | 2,159,162 | | 1,804,247 | |
| CREDITORS: amounts falling due within one year | | | | | |
| | 13 | (1,427,052) | | (1,089,941) | |
| NET CURRENT ASSETS | | | | | |
| | | | 732,110 | | 714,306 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | | | |
| | | | 1,260,447 | | 1,269,969 |
| Defined pension scheme liability | | | | | |
| | 19 | | (337,000) | | (60,000) |
| TOTAL ASSETS | | | | | |
| | | | 923,447 | | 1,209,969 |
| Represented by: | | | | | |
| FUNDS | | | | | |
| Unrestricted funds | 14 | | 923,447 | | 1,209,969 |
| Restricted funds | 14 | | - | | - |
| | | | 923,447 | | 1,209,969 |

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 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 2019**

| | Note | 2019 | | 2018 | |
|---|------|------------------|------------------|-------------|-----------|
| | | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Tangible assets | 9 | | 524,810 | | 549,348 |
| Investments | 10 | | 100 | | 100 |
| | | | 524,910 | | 549,448 |
| CURRENT ASSETS | | | | | |
| Debtors | 11 | 338,030 | | 206,382 | |
| Cash at bank and in hand | | 1,771,878 | | 1,526,713 | |
| | | 2,109,908 | | 1,733,095 | |
| CREDITORS: amounts falling due within one year | | | | | |
| | 12 | - | | (1,027,895) | |
| NET CURRENT ASSETS | | | 2,109,908 | | 705,200 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 2,634,818 | | 1,254,648 |
| Defined pension scheme (liability) / asset | | | | | |
| | 17 | | (337,000) | | (60,000) |
| TOTAL ASSETS | | | 2,297,818 | | 1,194,648 |
| Represented by: | | | | | |
| FUNDS | | | | | |
| Unrestricted funds | 13 | | 910,082 | | 1,194,648 |
| Restricted funds | 13 | | - | | - |
| | | | 910,082 | | 1,194,648 |

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 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 2019

| | Note | 2019 £ | 2018 £ |
|---|------|------------------|------------------|
| Net cash inflow from operating activities: | | 195,387 | 450,937 |
| <hr/> | | | |
| Cash flows from investing activities: | | | |
| Interest received | | 1,043 | 1,338 |
| Taxation paid | | - | 287 |
| Capital expenditure | | (7,094) | (26,282) |
| <hr/> | | | |
| <i>Net cash used in investing activities</i> | | <i>(6,051)</i> | <i>(24,657)</i> |
| <hr/> | | | |
| Change in cash and cash equivalents in the reporting period | | 189,336 | 426,280 |
| <hr/> | | | |
| Cash and cash equivalents at the beginning of the reporting period | | 1,620,110 | 1,193,830 |
| <hr/> | | | |
| Cash and cash equivalents at the end of the reporting period | | 1,809,446 | 1,620,110 |
| <hr/> | | | |

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2019

| 1 Reconciliation of net consolidated incoming resources for the year to net cash inflow from operating activities | 2019 | 2018 |
|--|----------------|----------------|
| | £ | £ |
| Net income for the year before taxation | (42,522) | (11,335) |
| Depreciation charge | 34,420 | 43,539 |
| (Increase) / Decrease in debtors | (165,579) | 68,194 |
| (Decrease) / Increase in creditors | 337,111 | 340,877 |
| Interest received | (1,043) | (1,338) |
| Defined benefit pension scheme contributions | (82,000) | (98,000) |
| Defined benefit pension scheme operating cost | 114,000 | 105,000 |
| Net finance expenses from the pension scheme | 1,000 | 4,000 |
| Net cash inflow from operating activities | 195,387 | 450,937 |

| 2 Analysis of changes in net fund | At 31 July | Cash | At 31 July |
|--|-------------------|--------------|-------------------|
| | 2018 | Flows | 2019 |
| | £ | £ | £ |
| Cash at bank and in hand | 1,620,110 | 189,336 | 1,809,446 |

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019

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 2019

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 2019

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 2019

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 2019

| 2 Charitable Activities: | Unrestricted funds | Restricted funds | Total 2019 | Total 2018 |
|---|---------------------------|-------------------------|-------------------|-------------------|
| | £ | £ | £ | £ |
| Annual subscriptions: | | | | |
| <i>General subscriptions</i> | 437,254 | - | 437,254 | 421,114 |
| <i>EU/International subscription</i> | 46,200 | - | 46,200 | 48,750 |
| <i>Sports subscription</i> | 49,170 | - | 49,170 | 39,751 |
| Advancement of education for the benefit of the general public: | | | | |
| <i>Representational Activities</i> | 44,208 | - | 44,208 | 7,527 |
| <i>Research/Project Activities</i> | - | 1,878,134 | 1,878,134 | 1,075,756 |
| <i>Training Activities</i> | - | - | - | 301 |
| | 576,832 | 1,878,134 | 2,454,966 | 1,593,199 |
| <hr/> | | | | |
| 3 Investments | Unrestricted funds | Restricted funds | Total 2019 | Total 2018 |
| Bank Interest | 1,043 | - | 1,043 | 1,338 |
| Rental Income | 11,968 | - | 11,968 | 12,092 |
| | 13,011 | - | 13,011 | 13,430 |

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:-

| | 2019 | 2018 |
|---|-------------|-------------|
| Gross Income | 2,483,301 | 1,638,307 |
| Deficit before actuarial gains/(losses) on pension scheme | (40,566) | (8,601) |

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019

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 £13,467 (2018: £15,423).

The trading results are shown below :

| | 2019 £ | 2018 £ |
|--|------------------|-----------|
| Turnover | 147,520 | 573,751 |
| Cost of sales | (117,603) | (500,283) |
| Gross profit | 29,917 | 73,468 |
| Administrative expenses | (16,549) | (44,524) |
| Operating profit | 13,368 | 28,944 |
| Interest receivable and similar income | 21,371 | 208 |
| Profit on ordinary activities | 34,739 | 29,152 |
| Tax on profit on ordinary activities | - | - |
| Profit for the financial year | 34,739 | 29,152 |
| Retained earnings at beginning of year | 15,323 | 18,057 |
| Dividends | (36,695) | (31,886) |
| Retained earnings at end of year | 13,367 | 15,323 |

These results are wholly included in the consolidated financial statements

6 Resources expended

| | Basis of Allocation | Representation & Support | Training | Research & Dev, inc Projects | Management & Governance | 2019 | 2018 |
|---|---------------------|--------------------------|--------------|------------------------------|-------------------------|------------------|------------------|
| | | | | | | £ | £ |
| Costs Directly Allocated to Activities | | | | | | | |
| Educational Advancement | Direct | 19,325 | - | 1,624,710 | - | 1,644,035 | 885,350 |
| Staff costs | Direct | 332,167 | 3,122 | 316,132 | 34,897 | 686,318 | 555,494 |
| Travel | Direct | 19,729 | 155 | 16,390 | 4,361 | 40,635 | 41,034 |
| Support costs Allocated to Activities | | | | | | | |
| Accommodation | Staff time | 12,188 | 127 | 12,879 | 1,422 | 26,616 | 25,031 |
| Administration & Bank Charges | Staff time | 25,120 | 216 | 21,840 | 2,411 | 49,587 | 39,172 |
| Fees and charges | Staff time | 8,183 | 65 | 6,558 | 7,689 | 22,495 | 37,460 |
| Public affairs and other costs | Staff time | 22,418 | 98 | 919 | 101 | 23,536 | 26,003 |
| Depreciation | Staff time | 14,033 | 146 | 14,829 | 1,637 | 30,645 | 37,364 |
| Total Resources Expended | | 453,163 | 3,929 | 2,014,257 | 52,518 | 2,523,867 | 1,646,908 |

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019

7 Directors and employees

No trustees received any remuneration for their services to the company in 2019 or 2018.

No trustees received travel and subsistence expenses in 2019 (2018 £nil).

The average number of persons employed by the company during the year was 13 (2018: 13).

| Staff costs for the above consisted of : | 2019 | 2018 |
|---|----------------|---------|
| | £ | £ |
| Wages and salaries | 270,618 | 205,168 |
| Salaries, Social Security & Pension costs allocated to projects | 252,090 | 195,886 |
| Pension costs | 113,280 | 109,217 |
| Social security costs | 50,329 | 45,222 |
| | 686,317 | 555,493 |

| Emoluments of higher paid employees (excluding pension contributions): | 2019 | 2018 |
|---|-------------|------|
| £100,000 to £110,000 | 1 | 1 |

The Pensions Contributions relating to the highest paid employee amount to £20,625 (2018: £20,172)

During the year the total employee benefits received by key management personnel amounted to £126,951 (2018: £124,506).

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

| | 2019 | 2018 |
|---------------------------------------|-------------|------|
| Representation & Support | 9 | 8 |
| Training | 0 | 1 |
| Research & Development, inc. Projects | 4 | 3 |
| Governance | 1 | 1 |
| | 14 | 13 |

8 Net incoming / (outgoing) resources

| | 2019 | 2018 |
|---|---------------|--------|
| | £ | £ |
| Net incoming / (outgoing) resources are stated after charging / (crediting) the following : | | |
| Depreciation on owned tangible fixed assets | 34,420 | 43,539 |
| <i>Operating lease rental:</i> | | |
| Land and buildings | 44,250 | 44,250 |
| Equipment | 7,051 | 7,051 |
| <i>Auditors' remuneration:</i> | | |
| Audit work (group & companies) | 6,420 | 6,235 |
| Non-audit work | 5,600 | 7,350 |
| Legal and professional fees | 11,515 | 13,009 |

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019

9 Analysis of pension costs charged to the Statement of Financial Activities

| | 2019 £ | 2018 £ |
|--|----------------|----------------|
| Current service charge | 114,000 | 105,000 |
| Total operating charge to Statement of Financial Activities | 114,000 | 105,000 |
| | 2019 £ | 2018 £ |
| Interest income on scheme assets | (76,000) | (65,000) |
| Interest expense on defined benefit obligation | 77,000 | 69,000 |
| Interest charged to Statement of Financial Activities | 1,000 | 4,000 |
| Net cost to Statement of Financial Activities | 115,000 | 109,000 |

10 Tangible fixed assets - Group

| | Freehold Property £ | Office equipment £ | Fixtures & Fittings £ | Computer equipment £ | Total £ |
|------------------------|---------------------------|--------------------------|-----------------------------|----------------------------|------------------|
| Cost | | | | | |
| At 1 August 2018 | 843,650 | 70,136 | 94,285 | 54,546 | 1,062,617 |
| Additions at cost | - | 4,632 | - | 2,462 | 7,094 |
| At 31 July 2019 | 843,650 | 74,768 | 94,285 | 57,008 | 1,069,711 |
| Depreciation | | | | | |
| At 1 August 2018 | 336,672 | 41,748 | 85,023 | 43,511 | 506,954 |
| Charge for the year | 12,674 | 9,815 | 1,481 | 10,450 | 34,420 |
| At 31 July 2019 | 349,346 | 51,563 | 86,504 | 53,961 | 541,374 |
| Net book value | | | | | |
| At 31 July 2019 | 494,304 | 23,205 | 7,781 | 3,047 | 528,337 |
| At 31 July 2018 | 506,978 | 28,388 | 9,262 | 11,035 | 555,663 |

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10 Tangible fixed assets - Company

| | Freehold Property £ | Office equipment £ | Fixtures & Fittings £ | Computer equipment £ | Total £ |
|------------------------|------------------------------------|-----------------------------------|--|-------------------------------------|--------------------|
| Cost | | | | | |
| At 1 August 2018 | 843,650 | 54,086 | 63,051 | 42,335 | 1,003,122 |
| Additions at cost | - | 3,948 | - | 2,158 | 6,106 |
| At 31 July 2019 | 843,650 | 58,034 | 63,051 | 44,493 | 1,009,228 |
| Depreciation | | | | | |
| At 1 August 2018 | 336,672 | 29,593 | 54,018 | 33,491 | 453,774 |
| Charge for the year | 12,674 | 8,336 | 1,372 | 8,262 | 30,644 |
| At 31 July 2019 | 349,346 | 37,929 | 55,390 | 41,753 | 484,418 |
| Net book value | | | | | |
| At 31 July 2019 | 494,304 | 20,105 | 7,661 | 2,740 | 524,810 |
| At 31 July 2018 | 506,978 | 24,493 | 9,033 | 8,844 | 549,348 |

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| | | |
|-----------------------------------|----------------|---------|
| 11 Fixed asset investments | Company | Company |
| | 2019 | 2018 |
| | £ | £ |
| 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 | Company | Group | Company |
| | 2019 | 2019 | 2018 | 2018 |
| | £ | £ | £ | £ |
| Amounts falling due within one year | | | | |
| Trade debtors | 5,711 | 485 | 10,819 | 4,565 |
| Accrued income | 318,058 | 284,504 | 145,740 | 107,860 |
| Amounts due from subsidiary undertaking | - | 37,972 | - | 77,970 |
| Prepayments | 25,947 | 15,069 | 27,578 | 15,987 |
| | 349,716 | 338,030 | 184,137 | 206,382 |

| | | | | |
|---|------------------|------------------|-----------|-----------|
| 13 Creditors : amounts falling due within one year | Group | Company | Group | Company |
| | 2019 | 2019 | 2018 | 2018 |
| | £ | £ | £ | £ |
| Trade creditors | 438,239 | 435,478 | 194,975 | 184,538 |
| Accruals | 269,370 | 265,235 | 263,044 | 249,381 |
| Deferred income | 702,457 | 670,879 | 617,262 | 580,729 |
| Other taxation and social security | 16,986 | 16,144 | 14,660 | 13,247 |
| | 1,427,052 | 1,387,736 | 1,089,941 | 1,027,895 |

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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 2019/20.

| | 2019 £ | 2018 £ |
|---|----------------|----------------|
| Wellbeing/ESDGC | - | 4,956 |
| City & Guilds rental income | 834 | 1,094 |
| Internship | - | 180 |
| Lease finance agreements for future periods | 31,578 | 31,578 |
| Restricted Call 2 | - | 27,335 |
| Erasmus + Sport | - | 26,233 |
| Erasmus + Post | - | 25,882 |
| EQF Project | 3,939 | - |
| Equavet Restricted Call 3 | 66,361 | - |
| Erasmus + Learner 2018 | 527,958 | - |
| Erasmus + Migrant Sport | 9,275 | - |
| Erasmus + Staff 2018 | 5,280 | - |
| Erasmus + Learner 2017 | 57,232 | 500,004 |
| | 702,457 | 617,262 |

14 Funds - Group

| | At 01.08.18 £ | Incoming resources | Resources expended | Transfer between fund | Actuarial Gain on pension | At 31.07.19 £ |
|---|------------------|-----------------------|-----------------------|-----------------------------|---------------------------------|------------------|
| Unrestricted funds | | | | | | |
| General Fund | 215,735 | 737,363 | (703,135) | 29,147 | (244,000) | 35,110 |
| Capital Asset Reserve | 555,663 | - | (34,420) | 7,094 | - | 528,337 |
| Critical / Closure costs | 300,000 | - | - | (60,000) | - | 240,000 |
| Strategic reserve | 50,000 | - | - | (10,000) | - | 40,000 |
| Capital Spend Reserve | 75,000 | - | - | 5,000 | - | 80,000 |
| International Curriculum Development | 13,571 | - | - | (13,571) | - | - |
| | 1,209,969 | 737,363 | (737,555) | (42,330) | (244,000) | 923,447 |
| Restricted funds | | | | | | |
| Research/Project Activities | - | 1,878,134 | (1,920,464) | 42,330 | - | - |
| TOTAL FUNDS | 1,209,969 | 2,615,497 | (2,658,019) | - | (244,000) | 923,447 |

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14 Funds - (Con't)

Funds - Company

| | At 01.08.18 £ | Incoming resources | Resources expended | Transfer between fund | Actuarial Loss on pension | At 31.07.19 £ |
|---|------------------|-----------------------|-----------------------|-----------------------------|---------------------------------|------------------|
| Unrestricted funds | | | | | | |
| General Fund | 206,729 | 605,167 | (572,759) | 30,135 | (244,000) | 25,272 |
| Capital Asset Reserve | 549,348 | - | (30,644) | 6,106 | - | 524,810 |
| Critical / Closure costs | 300,000 | - | - | (60,000) | - | 240,000 |
| Strategic reserve | 50,000 | - | - | (10,000) | - | 40,000 |
| Future Capital Reserve | 75,000 | - | - | 5,000 | - | 80,000 |
| International Curriculum Development | 13,571.00 | - | - | (13,571) | - | - |
| | 1,194,648 | 605,167 | (603,403) | (42,330) | (244,000) | 910,082 |
| Restricted funds | | | | | | |
| Research/Project Activities | - | 1,878,134 | (1,920,464) | 42,330 | - | - |
| TOTAL FUNDS | 1,194,648 | 2,483,301 | (2,523,867) | - | (244,000) | 910,082 |

The restricted funds received during the year were as follows:

| | Opening balance £ | Income £ | Expenditure £ | Transfer from unrestricted funds £ | Closing balance £ |
|--------------------------|-------------------------|-------------|------------------|---|-------------------------|
| Erasmus + Sport | - | 69,214 | 79,072 | 9,858 | - |
| Erasmus + It's up to you | - | 1,644 | 2,199 | 555 | - |
| EQAVET Restricted Call 3 | - | 4,964 | 5,458 | 494 | - |
| ALN - both | - | 178,449 | 178,449 | - | - |
| EQAVET Restricted Call 2 | - | 32,092 | 44,962 | 12,870 | - |
| Sport | - | 137,700 | 137,700 | - | - |
| Erasmus + Staff 18 | - | 21,008 | 21,008 | - | - |
| Welsh | - | 379,550 | 379,550 | - | - |
| Wellbeing | - | 4,956 | 4,956 | - | - |
| Erasmus + Staff 2017 | - | 103 | 103 | - | - |
| Erasmus + Learner 18 | - | 351,106 | 351,106 | - | - |
| ECVET | - | 2,206 | 2,206 | - | - |
| Erasmus + Post | - | 25,883 | 25,883 | - | - |
| Erasmus + Learner 2017 | - | 442,772 | 442,772 | - | - |
| Erasmus + Learner 2016 | - | 1,904 | 1,904 | - | - |
| Four Nations | - | 12,371 | 12,430 | 59 | - |
| Erasmus + Migrant Sport | - | 2,201 | 2,752 | 551 | - |
| EQF Workplan | - | 53,829 | 71,772 | 17,943 | - |
| Mental Health | - | 156,182 | 156,182 | - | - |
| | - | 1,878,134 | 1,920,464 | 42,330 | - |

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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.

Erasmus + Curricular Pathways for Migrant Empowerment through Sport CPMES partners in a collaborative sports project looking at curriculum developments in sport and non formal education. The project will utilise ETS (Education Through Sport) to support this principle.

Erasmus + Its up to you – Youth Exchange a group of young leaders and ambassadors from Wales engaged in a Youth Exchange in Iscar, Spain to learn more about sport as a tool for social improvement. Specifically in the fight against drug and alcohol abuse.

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.

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+ 2019 – learner - Funding was approved in July 2019 to enable 624 vocational learners and apprentices to undertake 2-week work placements in Europe. The project will be completed on 31 August 2021 and the final report will be submitted by 31 October 2021.

Erasmus+ 2019 – staff - Funding was approved in July 2019 to enable 18 staff from FE colleges and other appropriate organisations in Wales to undertake a 4 day study visit to Stuttgart, Germany. The project end date is 31 August 2021 and the final report will be submitted by 31 October 2021.

Erasmus+ 2018 – learner - Funding was approved in May 2018 to enable 536 vocational learners and apprentices to undertake 2-week work placements in Europe. The project will be completed on 31 August 2020, the final report will be submitted by 31 October 2020.

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13 Funds - (Con't)

Erasmus+ 2018 – staff - Funding was approved in May 2018 to enable 32 staff from FE colleges and other appropriate organisations in Wales to undertake a 4 day study visit to Helsinki, Finland and Montecatini, Italy. The visit to Helsinki took place in November 2018 and the visit to Italy took place in October 2019. The project end date is 31 August 2020 and the final report will be submitted by 31 October 2020.

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.

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 ended 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.

ECVET - This is a one year project that will run from 1 January to 31 December 2019. The UK National Agency for Erasmus+ manages the project and ColegauCymru has been involved in attending training days and producing a training video in 2019.

Flexible Adult Learning - Welsh Government is funding 3 pilot projects on FE colleges' preparedness for Brexit. Colegau Cymru is managing the three projects and they will all focus on the delivery of flexible adult learning. Coleg Sir Gâr/Coleg Ceredigion, Bridgend College and Coleg Cambria are running the pilot projects that will run from September 2019 to March 2020.

Cymraeg Gwaith – The project aims to increase Welsh/bilingual provision in the post 16 sector by giving colleges the opportunity to develop the bilingual skills of their teaching staff. The project plans to provide lecturers and assessors with 120 hours of Welsh teaching for approximately 200 teaching staff members.

EQAVET restricted call 3 – CollegesWales was successful in applying for funding to undertake research into tracking of VET graduates in other European regions. The project started on 1 April 2019 and will end on 31 March 2021.

Mental Health - The Welsh Government has awarded £175,000 to provide grant funding to colleges and to support institutions in the delivery of projects to support mental health in the FE sector in Wales. The project commenced in December 2018 and will be completed by March 2020.

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14 Funds - (Con't)

The unrestricted funds held by the charity at 31st July 2019 were as follows:

| | £ | |
|--------------------------------------|----------------|---|
| General Fund | 35,110 | This represents general unrestricted funds for use within the charity |
| Existing Capital Reserve | 528,337 | This represents funds designated for the net book value of capital assets held within the Charity at the year end. |
| Critical / Closure costs | 240,000 | To meet the potential closure costs which would be incurred should the charity cease. |
| Strategic reserve | 40,000 | To meet the costs of strategic expenditure identified within the designated reserves which are funded through income and expenditure account. |
| Future Capital Reserve | 80,000 | This represents future plans for capital spend |
| International Curriculum Development | - | This represents funds designated to support development of international curriculum. |
| | <u>923,447</u> | |

Analysis of assets between funds:

| | Unrestricted General Funds | Restricted Funds | Total Funds 2019 | Total Funds 2018 |
|-----------------------|---|-----------------------------|---------------------------------|---------------------------------|
| | £ | £ | £ | £ |
| Tangible Fixed Assets | 528,337 | - | 528,337 | 572,920 |
| Current Assets | 1,489,117 | 670,045 | 2,159,162 | 1,446,161 |
| Current Liabilities | (1,094,007) | (670,045) | (1,764,052) | (925,777) |
| | <u>923,447</u> | <u>-</u> | <u>923,447</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 | 2019 | 2018 |
|----------------------------|-------------------|---------------|----------------|----------------|
| | £ | £ | £ | £ |
| Within one year | 84,439 | - | 84,439 | 84,439 |
| Between one and five years | - | 16,947 | 16,947 | 16,947 |
| | <u>84,439</u> | <u>16,947</u> | <u>101,386</u> | <u>101,386</u> |

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16 Comparative Statement of Financial Activities

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

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

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17 Capital commitments and contingencies

There were no capital commitments as at 31 July 2019 (2018: 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 2019

The Employer's regular contributions to the fund for the year ending 31 July 2019 are estimated to be £0.082M. 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-19 (% pa) | 31-Jul-18 (% pa) | 31-Jul-17 (% pa) |
|---|-----------------------------------|----------------------------|----------------------------|
| Discount rate | 2.1 | 2.8 | 2.6 |
| RPI inflation | 3.3 | 3.2 | 3.1 |
| CPI inflation | 2.3 | 2.1 | 2 |
| Rate of increase to pensions in payment | 2.3 | 2.1 | 2 |
| Rate of revaluation of pension accounts | 2.3 | 2.1 | 2 |
| Rate of general increase in salaries | 3.3 | 3.1 | 3 |

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 19 | 31 July 18 |
|---|-------------------|------------|
| Males | | |
| Future lifetime from age 65 (current aged 65) | 22.1 | 23.1 |
| Future lifetime from age 65 (current aged 45) | 22.7 | 24.2 |
| Females | | |
| Future lifetime from age 65 (current aged 65) | 24.5 | 25.8 |
| Future lifetime from age 65 (current aged 45) | 25.6 | 27.2 |

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19 Pensions - (Cont'd)

Reconciliation of funded status to balance sheet

| | Value at 31 July 2019 (£M) | Value at 31 July 2018 (£M) | Value at 31 July 2017 (£M) |
|--|----------------------------------|----------------------------------|----------------------------------|
| Fair value of fund assets | 2.892 | 2.699 | 2.487 |
| Present value of liabilities | (3.229) | (2.759) | (2.664) |
| Funded status | (0.337) | (0.060) | (0.177) |
| Unrecognised asset | 0.000 | 0.000 | 0.000 |
| Pension asset/(liability) recognised on the Balance Sheet | (0.337) | (0.060) | (0.177) |

Asset allocation

| | Value at 31 July 2019 (£M) | Value at 31 July 2018 (£M) | Value at 31 July 2017 (£M) |
|-------------------------|----------------------------------|----------------------------------|----------------------------------|
| Equities | 64.9% | 65.9% | 77.9% |
| Property | 7.2% | 6.5% | 6.3% |
| Government bonds | 9.9% | 10.5% | 8.3% |
| Corporate bonds | 11.0% | 10.2% | 5.6% |
| Cash | 1.9% | 1.7% | 1.9% |
| Other | 5.1% | 5.2% | 0.0% |
| Total | 100.0% | 100.0% | 100.0% |

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19 Pensions - (Cont'd)

| Amounts recognised in Income Statement | Year ending 31 July 2019 (£M) | Year ending 31 July 2018 (£M) |
|--|-------------------------------------|-------------------------------------|
| Operating Cost | | |
| Current service costs | 0.114 | 0.105 |
| Past service costs | 0.000 | 0.000 |
| Curtailment cost | 0.000 | 0.000 |
| Settlement cost | 0.000 | 0.000 |
| Financing Cost | | |
| Interest costs | 0.001 | 0.004 |
| Expense recognised in Profit and Loss | 0.115 | 0.109 |

Allowance for administration expenses included in Current Service Cost in 2019 £0.002m and 2018 £0.001m.

| Changes to the present value of liabilities during the year | Year ending 31 July 2019 (£M) | Year ending 31 July 2018 (£M) |
|--|-------------------------------------|-------------------------------------|
| Opening present value of liabilities | 2.759 | 2.664 |
| Current service cost | 0.114 | 0.105 |
| Interest cost | 0.077 | 0.069 |
| Contributions by participants | 0.031 | 0.028 |
| Actuarial (gains)/losses on liabilities * | 0.329 | (0.0290) |
| Net benefits paid out # | (0.081) | (0.078) |
| 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 | 3.229 | 2.759 |

* 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.

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19 Pensions - (Cont'd)

| Changes to the fair value of assets during the year | Year ending 31 July 2019 (£M) | Year ending 30 July 2018 (£M) |
|--|--|-------------------------------------|
| Opening fair value of assets | 2.699 | 2.487 |
| Interest income on assets | 0.076 | 0.065 |
| Remeasurement gains/(losses) on assets | 0.085 | 0.099 |
| Contribution by the employer | 0.082 | 0.098 |
| Contribution by participants | 0.031 | 0.028 |
| Net benefits paid out # | (0.081) | (0.078) |
| Net increase in assets from disposals and acquisitions | 0.000 | 0.000 |
| Settlements | 0.000 | 0.000 |
| Closing fair value of assets | 2.892 | 2.699 |

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 2019 (£M) | Year ending 30 July 2018 (£M) |
|--------------------------------|--|-------------------------------------|
| Interest income on assets | 0.076 | 0.065 |
| Gain/(Loss) on assets | 0.085 | 0.099 |
| Actual return on assets | 0.161 | 0.164 |

| Analysis of amount recognised in Other Comprehensive Income | Year ending 31 July 2019 (£M) | Year ending 30 July 2018 (£M) |
|--|--|-------------------------------------|
| Asset gains/(losses) arising during the period | 0.114 | 0.105 |
| Liability gains/(losses) arising during the period | 0.000 | 0.000 |
| Total (loss) in OCI | 0.114 | 0.105 |

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20 EFFECT OF PENSION ON THE DEFICIT FOR THE YEAR

| | 2019 £ | 2018 £ |
|--|-------------------------|-------------------------|
| (Deficit) / Surplus before pension adjustment | (9,522) | (335) |
| Pension adjustment Included in the Income & expense account | | |
| Employers contributions transferred against liability | (82,000) | (98,000) |
| Pension adjustment | 114,000 | 105,000 |
| Finance cost | 1,000 | 4,000 |
| (Deficit) per accounts | (42,522) | (11,335) |

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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 |
| Nigel Bayford (resigned 14/03/17) | Chair, Coleg y Cymoedd | Trustee |
| John Clutton (appointed 1/08/17) | Chair, Coleg Cambria | Trustee |
| Paul Croke (appointed 1/8/19) | Chair, Bridgend College | Trustee |
| Iestyn Morris (appointed 1/8/17) | Partner, Capital Law | Trustee |
| Louise Casella (appointed 1/8/19) | Director, The Open University in Wales | Trustee |
| Jeffrey Greenidge (appointed 1/8/19) | Owner, Ariege Consultancy | Trustee |

The Directors of the subsidiary undertaking, Fforwm Services Limited, during the year and their relationship with the respective Colleges were:

| Director | College | Relationship |
|--|---|---------------------|
| 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 Coleg Ceredigion | Director |
| Dafydd Evans (chair 1 July 2018) | CEO/Principal, Grŵp Llandrillo Menai | Director |
| Guy Lacey (appointed 1/7/18) | Principal, Pembrokeshire College | Director |
| Paul Croke (appointed 1/8/19) | 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 £2,277 (2018: creditor £77,970) due from Fforwm Services Limited, the charity's trading subsidiary.

COLLEGES WALES / COLEGAU CYMRU LIMITED

(Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019**

21 Related party transactions - (Con't)

**Income invoiced to Colleges
during the year**

| | Subs- | Sport | EU/Int | Projects | ALIS | Other | Total |
|------------------------------------|----------------|---------------|---------------|-----------------|--------------|--------------|----------------|
| | £ | £ | £ | | | £ | £ |
| Bridgend College | 39,291 | 4,470 | 3,850 | 2,278 | - | 682 | 50,571 |
| Cardiff and Vale College | 41,080 | 4,470 | 3,850 | 1,710 | - | 153 | 51,263 |
| Coleg Sir Gar and Coleg Ceredigion | 41,080 | 4,470 | 3,850 | 1,144 | - | 403 | 50,947 |
| Coleg Gwent | 41,080 | 4,470 | 3,850 | 2,197 | 1,614 | 226 | 53,437 |
| Coleg y Cymoedd | 41,080 | 4,470 | 3,850 | 2,288 | 822 | 279 | 52,789 |
| Coleg Cambria | 41,080 | 4,470 | 3,850 | 2,170 | - | 348 | 51,918 |
| Gower College Swansea | 41,080 | 4,470 | 3,850 | 2,288 | - | 448 | 52,136 |
| Grwp Llandrillo Menai | 41,080 | 4,470 | 3,850 | 3,255 | - | 648 | 53,303 |
| Merthyr Tydfil College | 20,130 | 4,470 | 3,850 | 1,710 | - | 348 | 30,508 |
| Neath Port Talbot College | 41,080 | 4,470 | 3,850 | 2,170 | - | 226 | 51,796 |
| Pembrokeshire College | 25,273 | 4,470 | 3,850 | 2,595 | - | 248 | 36,436 |
| St David's 6th Form College * | 5,000 | - | 3,850 | - | - | - | 8,850 |
| Adult Learning Wales | 13,920 | - | - | - | - | 248 | 14,168 |
| Coleg Cymraeg Cenedlaethol * | 5,000 | - | - | - | - | - | 5,000 |
| Total | 437,254 | 49,170 | 46,200 | 23,805 | 2,436 | 4,257 | 563,122 |

* Associate member

**Payments to Colleges
during the year**

| | Catering/ Accom. | Projects | Other | Total |
|--|-----------------------------|-----------------|------------------|------------------|
| | £ | £ | £ | £ |
| Bridgend College | | 127,743 | | 127,743 |
| Cardiff and Vale College | 1,369 | 152,396 | 600 | 154,365 |
| Coleg Sir Gar and Coleg Ceredigion | 289 | 162,728 | - | 163,017 |
| Coleg Gwent | 111 | 108,791 | - | 108,902 |
| Coleg y Cymoedd | 145 | 129,472 | - | 129,617 |
| Coleg Cambria | 238 | 165,049 | - | 165,287 |
| Gower College Swansea | - | 14,500 | - | 14,500 |
| Grwp Llandrillo Menai | - | 53,299 | 1,500 | 54,799 |
| Merthyr Tydfil College | 186 | 158,451 | - | 158,637 |
| NPTC Group | 42 | 61,920 | - | 61,962 |
| Pembrokeshire College | 122 | 130,848 | 525 | 131,495 |
| St David's Catholic Sixth Form College * | - | 5,700 | - | 5,700 |
| Adult Learning Wales | - | 11,400 | - | 11,400 |
| Total | 2,502 | - | 1,282,297 | 1,287,424 |

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019

21 Related party transactions - (Con't)

The following amounts were receivable from Colleges at 31 July 2019:

| | £ |
|------------------------|------------|
| Bridgend College | 100 |
| Merthyr Tydfil College | 126 |
| Total | 226 |

The following amounts were payable to Colleges at 31 July 2019:

| | £ |
|------------------------------------|----------------|
| Bridgend College | 4,000 |
| Cardiff and Vale College | 83,204 |
| Coleg Gwent | 24,088 |
| Coleg y Cymoedd | 25,628 |
| Coleg Sir Gar and Coleg Ceredigion | 41,666 |
| Llandrillo College | 25,719 |
| Merthyr Tydfil College | 111,883 |
| Pembrokeshire College | 83,983 |
| Adult Learning Wales | 5,700 |
| Gower College Swansea | 139 |
| Total | 406,010 |

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited By Guarantee)
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2019

| | Year ended 31 July 2019 | | Year ended 31 July 2018 | |
|--|----------------------------|-----------|----------------------------|-----------|
| | £ | £ | £ | £ |
| INCOME | | | | |
| College subscriptions | 532,624 | | 509,615 | |
| Grants receivable | 1,765,247 | | 935,525 | |
| Sports Grant Income | 131,000 | | 141,000 | |
| Other income | 26,095 | | 7,059 | |
| Bank interest | 1,043 | | 1,338 | |
| Rents received | 11,968 | | 12,092 | |
| Staff development activities | 102,270 | | 528,501 | |
| Lease rental income | 45,250 | | 45,250 | |
| | | 2,615,497 | | 2,180,380 |
| LESS: | | | | |
| COST OF SALES | | | | 435,117 |
| Other operating leases | 44,250 | | 44,250 | |
| Staff development expenditure | 73,353 | | 456,033 | |
| | | 117,603 | | 500,283 |
| EXPENDITURE | | | | |
| Conferences | 1,977 | | 95 | |
| MA leadership & management programme | - | | 3,653 | |
| Staff training | 89 | | 2,276 | |
| Public affairs and representation | 21,310 | | 23,542 | |
| Website development | 2,137 | | 947 | |
| Projects & advisory groups | 1,677,154 | | 916,241 | |
| Accommodation costs | 27,167 | | 26,119 | |
| Staff costs | 686,317 | | 555,493 | |
| Office administration | 55,654 | | 45,817 | |
| Travel & expenses | 9,004 | | 13,739 | |
| Legal & professional fees | 11,515 | | 13,009 | |
| Auditors remuneration | 6,420 | | 6,235 | |
| Auditors remuneration - non audit fees | 5,600 | | 7,350 | |
| Bank charges | 1,420 | | 706 | |
| Bad Debts | 229 | | 18,160 | |
| Exchange rate loss | 3 | | 14,319 | |
| Depreciation: | | | | |
| Freehold property | 12,674 | | 12,674 | |
| Fixtures & fittings | 11,296 | | 18,340 | |
| Computer equipment | 10,450 | | 13,717 | |
| | | 2,540,416 | | 1,692,432 |
| DEFICIT FOR THE YEAR | | (42,522) | | (12,335) |