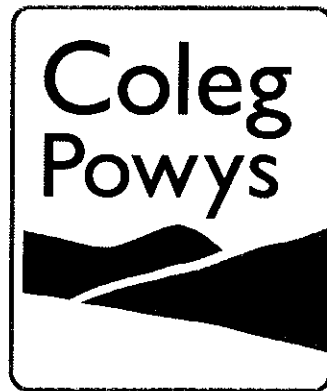


**COLEG POWYS**

**REPORT AND  
FINANCIAL STATEMENTS**

for the year ended 31 July 2011



# COLEG POWYS

## REPORT AND FINANCIAL STATEMENTS for the year ended 31 July 2011

### CONTENTS

	<b>PAGE</b>
Operating and Financial Review	1 – 7
Statement of Corporate Governance and Internal Control	8 – 12
Statement of the Responsibilities of the Members of the Corporation	13
Independent Auditors' Report to the Corporation of Coleg Powys	14 – 15
Income and expenditure account	16
Statement of total recognised gains and losses	17
Statement of historical costs surpluses and deficits	18
Balance sheet	19
Cash flow statement	20
Notes to the financial statements	21 - 43



## COLEG POWYS

### OPERATING AND FINANCIAL REVIEW FOR THE PERIOD FROM 1st AUGUST 2010 TO 31st JULY 2011

The members present their report and the audited financial statements for the year ended 31 July 2011.

#### Legal Status

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of providing Further Education. The college is an exempt charity for the purposes of the Charities Act 1993.

The corporation was incorporated as Coleg Powys.

#### Mission and Strategic Aims

The College's mission statement was reviewed by the Corporation in July 2010 and was changed to reflect the College's desire to achieve the highest standards for its learners.

*"Coleg Powys – Achieving excellence in all we do"*

This is supported by complementary strategic aims:

*" to equip individuals with skills and qualifications that enable them to contribute effectively to social, economic and cultural activity and to fulfil their personal aspirations"*

*" to maintain, develop and innovate change within the curriculum to meet the needs of individuals and the local labour market"*

*" to create a learner-centred culture that makes effective use of developments in technology and pedagogy so as to widen access to appropriate learning opportunities"*

*" to improve continuously the quality and consistency of all college services"*

*" to foster links and partnerships with employers and other private, public and voluntary sector organisations so as to increase participation in learning, to contribute to economic growth and to increase social inclusion"*

*" to optimise the use of all available resources. In particular to ensure that the human, physical and financial resources remain appropriate to fulfil the objectives of the college"*

*" to place Coleg Powys Further Education Corporation at the centre of a learning infrastructure that provides the broadest possible range of opportunities to all post-16 learners in Powys in a way that is effective, efficient, sustainable and avoids unnecessary duplication"*

The College continues to monitor progress during the year in fulfilling these aims.



## Implementation of the Strategic Plan

### *Skills and Qualifications*

The College has delivered at the levels of activity agreed with each organisation providing funds to the College including the Welsh Government's Department for Education and Skills (DfES), Powys County Council, schools and HE institutions.

In 2010/11 6,434 individuals accessed 24,827 learning opportunities from 979 separate qualification aims. The overall completion rate was 89% which trails the national comparator by 1%. In 2009/10 (the last year for which verified attainment data is available) college learners achieved 12,376 accredited qualifications. This represents an attainment rate of 91% which exceeds the national comparator by 2%.

The College exceeded targets for learning activity across the DfES further education funding stream delivering 286,114 units of activity compared with a funded target of 285,746.

The College has removed costly over-delivery from the DfES work based learning funding stream delivering activity and outcomes to a value of £358,772 to date, compared with the maximum potential contract value of £378,389. It is anticipated that outstanding payments for successful outcome attainments will result in a final income close to this value.

### *Curriculum development*

The College has continued to develop the curriculum to meet the needs of learners and employers. Curriculum developments include:

- The re-introduction of a Health and Social Care BTEC level 3 programme in Brecon.
- The introduction of BTEC level 3 programmes in Public Services to meet learner demand.
- The expansion of BTEC level 3 Subsidiary Diplomas available as part of the 14-19 Network's collaborative provision for 16-18 year olds
- The expansion of BTEC Workskills and Deloitte Employability courses into selected full-time programmes – enhancing the enterprise and employability skills of learners.
- The introduction of a Land-based route in the Pathways to Apprenticeship programme to replace the Hair and Beauty pathway removed by DfES
- Successful re-engagement with UFI Learndirect and continued expansion of e-learning qualifications and courses.
- The updating of learning programmes replacing old NQF qualifications with new QCF versions to meet learner needs and ensure continuity of funding.
- The provision of an expanded curriculum offer through the Business Development Unit for employers

Since 2007 the College has been responsible for the totality of the Adult Community Learning programme under a service level agreement with Powys County Council. This has improved the service to learners by providing a unified service with an integrated system for administration and for handling enquiries. For the year to 31<sup>st</sup> July 2011 the funding available under the agreement remained at the same level as the previous year at £168,645.



## Learner centred culture

The College endeavours to assess and meet the development needs of each individual learner. All full-time and substantive part-time learners are screened to assess their competence in basic and key skills following which, individual support programmes are provided.

The learning programme for each student is constructed, as far as is practicable, from a range of units and qualifications that are offered on a modular basis. Increasing use of the College's Virtual Learning Environment (VLE) means that learners can access materials and be supported by tutors in College, in their workplace or at home. This provides much needed flexibility in a remote rural environment.

The College's inclusive learning manager co-ordinates services for students who need support in accessing College services. A total of £178,062 was deployed from supplementary and exceptional funding allocations during the year for such bespoke individual support for learners.

The College has been pleased to grant awards to 194 students totalling £190,995 to provide financial assistance to those studying in the College. This has been made possible through a separate financial contingency fund from the Welsh Assembly Government that does not form part of the College's financial statements. In addition, the College has supported the County Council and the Welsh Assembly Government with the administration of 623 Educational Maintenance Allowances to those under 19 and 156 Adult Learning Grants to older learners

Through the above actions, the College recognises the challenges faced by learners in accessing services in this rural area and provides support in responding to them.

## Quality

The completion and attainment record for the College is stated above.

The College has a well developed quality assurance system that was applied consistently to all programme areas throughout the year and has now been embedded within functional areas also.

In November 2009, the College was inspected by Estyn as a pilot centre for the new inspection framework. Overall, the College was judged to be good. The overall assessment is as follows:

Overall judgement on the provider	Good
Prospects for Improvement	Adequate
K Q 1 – How good are outcomes?	Good
Standards	Good
Wellbeing	Good
K Q 2 – How good is provision?	Adequate
Learning experience	Adequate
Teaching	Adequate
Care, support & guidance	Adequate
Learning Environment	Good
KQ3 - How good are leadership & Management	Good
Leadership	Good
Partnership working	Good
Quality improvement	Adequate
Resource Management	Good



Under the direction of a new Principal the College is embarking on a journey towards excellence building on the solid foundations recognised in the Estyn report.

In November 2011, under the leadership of the College and supported by external consultant Katy Burns, the Powys Adult and Community Learning Partnership met to review its terms of reference and define its strategic objectives. This work means that the partnership vision is now more consistent with the Welsh Government Strategy for Adult and Community Learning. Work will commence in January 2012 on a new self-assessment and strategic plan.

The college has an agreement with the Welsh Government (like many other college and work based training organisations) that the existing Quality Mark, which was awarded the May 2008, is carried over until such time that the Welsh Government has developed and implemented the new assessment criteria for the Basic Skills Quality Standard. The college is currently preparing for assessment for the new Quality Standard in summer 2012.

## **Partnerships**

The College has continued to foster links and partnerships with other organisations. Among the key local partnerships in which the College is engaged are:

- Powys Local Service Board
- Powys Children and Young People's Partnership
- Powys 14-19 Partnership
- Central Wales Economic Forum
- Powys Regeneration Partnership
- Powys Adult and Community Learning Partnership

During the year, the College has continued to work with Powys County Council on far reaching proposals to transform the infrastructure for post-16 learning in the County. The Corporation of the College has agreed to submit a joint proposal with Powys County Council that will meet the challenges facing both organisations.

The College is a partner within a consortium of colleges that has delivered specialist training for farmers. The partnership has delivered a project in IT for Rural Businesses.

The development of school link provision for learners aged 14-16 has continued throughout the year with all 13 secondary schools in Powys working in partnership with the College. This has resulted in 357 school pupils aged 14-16 accessing the College and its specialist facilities for at least one session each week. There has been a large increase in activity relating to collaborative delivery for learners aged 16-18. 170 learners now access one of 12 BTEC National Awards as part of their school A Level programme. This has been organised partly in response to the government's Learning and Skills Measure 2008.

## **Resources**

The College maintains its resource base under continual review.

Further information on finances, estates, equipment and human resources is contained in the following paragraphs.



## Financial Performance

The College's financial objectives as articulated in the Financial Strategy that was approved in November 2010 are to:

- maintain long term financial viability for the continued provision of education and training
- maximise the effectiveness and efficiency of all its operations
- generate cash to invest in resources to enhance the learners' experience and improve standards of achievement

The College generated an operating deficit on continuing operations in the year ended 31<sup>st</sup> July 2011. The Board meeting in July 2010 agreed to fund a budgeted operating deficit of £513,000. This arose due to a significant reduction in the level of recurrent funding for the college (£235k) combined with a requirement to deliver an additional 19,000 CEUs (£241k) whilst facing rising costs of which the nationally agreed pay increase was the most significant (£253k). Given the college's strong financial position the Corporation took a long term strategic view and chose not to cut the curriculum offer in the short term but to seek transformational and innovative solutions to providing a high level of service to the learners and businesses of Powys whilst improving efficiency to achieve long term financial sustainability in line with the Financial Strategy.

In practice, an operating deficit of £383,000 has been achieved, which is an improvement of £130,000 on the budgeted figure. The result for the year to 31 July 2011 excluding the effect of FRS17 pension adjustments is an operating deficit of £295,000, an improvement of £183,000 over the equivalent budgeted figure.

Following the 7.6% reduction in recurrent funding that the college received for FY11 the budget for FY12 has had to take into account a further reduction of 1.5% in recurrent funding for the year. In line with UK Government policy the nationally agreed pay award was restricted to an extra £250 per annum for staff earning less than £21k per annum. Nevertheless the college faces a number of cost pressures such as general inflation that are difficult to control.

However, while seeking cost savings where appropriate, the Governors have resolved to maintain services wherever possible and hence have agreed a budgeted deficit for 2011/12 of £356,000 (excluding FRS17 pension adjustments). The current forward plans project a return to operating surpluses in 2013/14.

At the year end, the college has total reserves of £7,369,000 which includes general reserves of £5,190,000 with which to develop the human and physical infrastructure of the College to respond to the new post-16 learning arrangements in Wales.

## Estates and Capital Equipment

The college has continued to maintain and renew its estates in order to meet its business needs. This has been achieved through the allocation of revenue budgets and the use of funds designated for backlog maintenance to the value of £410,692,

In particular, as indicated above, the College continues to consider the needs of disabled learners in determining its maintenance and estates development priorities so as to seek to achieve the objectives set out in the Disability Discrimination Act 2000.



The significant works highlighted in last year's accounts were completed within the year to 31<sup>st</sup> July 2011. These included completion of the new mono-pitch roofs at Newtown, improvements to Fronlas Farm, reconfiguration of teaching and office space at Newtown, new equipment for hair & beauty salons and Theatr Hafren, the completion of the energy efficient lighting project and new network & IT equipment. Total capital investment in the year was £740,616.

Theatr Hafren staff have secured a large investment in the Theatr fly tower and specialised equipment from Powys County Council. Works commenced in April and were completed on schedule in August. The college has taken the opportunity to redesign the shared reception foyer and associated areas. Other significant works undertaken over the summer period include creating new hair & beauty facilities at Newtown and Brecon. These new improved facilities have enabled the college to offer high quality specialist facilities at its two main sites of Newtown and Brecon in accordance with its long term Estates Strategy. Hair & Beauty is no longer a curriculum offer in the old facilities at Llandrindod and the increased numbers of students enrolled onto such courses for the autumn term 2011 indicates that this strategy better meets the needs of learners across Powys.

The College's estates strategy includes the development of two major skills centres in Newtown and Brecon. As noted in last year's accounts the college is working closely with Powys County Council to maximise the use of scarce resources for the benefit of all learners in the county. A major feasibility study to develop proposals for a combined, primary school, secondary school, leisure centre and FE college at Penlan in Brecon was completed in the year. The college is working closely with the Council to determine how best to progress this proposal. At Ystradgynlais the college is proposing to utilise spare space at Maesydderwen School resulting from the major school redevelopment. This will enable the college to release the resources currently tied up in its building for reinvestment in improved facilities on or near the school site.

The college has continued to invest strongly in Information Technology resources. Investment in network alterations, hardware and software has totalled £346,801 during the year. The Board believes that ICT and e-learning continue to be of major importance in increasing the number of learning opportunities in Powys and their relevance to local employers and individuals. The resource base of the College has been expanded and improved and a high level of staff training is also taking place to support this.

## **Human Resources**

441 people took paid employment with the college during the period, of which 196 held substantive salaried posts, the remainder being appointed to short-term, hourly paid posts

The college considers good communications with its staff to be important and to this end it publishes a regular newsletter and posts information on the staff intranet. It also encourages staff and student involvement through membership of formal committees. A formal staff committee was formed during the year.

A comprehensive programme of professional development of both teaching and functional staff is maintained. This includes a regular leadership and management programme and an annual conference that brings the whole College staff together from all sites. In 2011, the College conference day focused on Teaching and Learning.



## Taxation

The Corporation is an exempt charity for the purposes of the Charities Act 1993.

## Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received.

In line with this requirement it is Corporation policy to pay suppliers promptly. At 31 July 2011 the College creditor days figure was 3.23 days. The College incurred no interest charges in respect of late payment for this period.

## Disability Statement

The College seeks to achieve the objectives of the Disability Discrimination Act 2000 and is committed to the following:

- Non-discrimination in employment.
- Providing and improving access to its sites.
- Provision of suitable furniture and equipment.
- A College charter with admission for students without discrimination.
- A significant investment of human and physical resources to support severely disabled students.
- Counselling and Welfare services for staff and students.

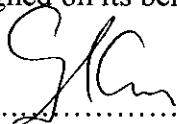
## Disclosure of information to auditors

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

## Professional Advisers

External Auditors	Baker Tilly UK Audit LLP
Internal Auditors	Park Hill
Bankers	Barclays Bank plc
Solicitors	Morgan Cole

Approved by order of the members of the corporation on 15<sup>th</sup> December 2011  
and signed on its behalf by:



.....  
Mr. G. Cragg - Chairman  
15<sup>th</sup> December 2011



## Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code issued by the London Stock Exchange in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31<sup>st</sup> July 2011.

### The Corporation

The members who served the corporation during the year and up to the date of signature of this report were as follows:

Mrs. T. Buchan	Co-opted Member
Mr. G. Cragg	Business Member (Chair)
Mrs. R. Davies	Community Member
Mrs. R. Denham	Staff Member
Mr. P. Edwards	Staff Member
Mr. R. George	Local Authority Member
Mr. K. Goodley	Co-opted Member
Miss B. Herbert	Student Governor (Dec 10 to July 11)
Mrs. J. Kibble	Community Member
Mrs. R. Lawrence	Business Member (Chair)
Dr. A. Parton	Community Member
Mr. S. Pirotte	Principal
Mr. D. Preece	Business Member
Prof. H. Rothman	Co-opted Member
Mr. D. Seipel	Business Member
Mrs. G. Sneade	Business Member
Mr. J. Stafford	Student Governor (Dec 10 to July 11)
Mr. P. R. Swanson	Business Member
Mr. J. Walker	Business Member
Mr. J. Wright	Local Authority Member (Vice Chair)

Mr D Parsons serves as Clerk to the Corporation.

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

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



The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance & Corporate Services, Curriculum & Quality, Remuneration, Search and Audit. Full minutes of all meetings except those deemed to be confidential by the corporation are available from the clerk to the corporation at:

Coleg Powys, Spa Road, Llandrindod Wells, LD1 5ES

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

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

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

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

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

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, which is comprised of four members including the Corporation Chair, Vice Chair and Principal, and is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. A formal induction programme is followed, and the Corporation has implemented a governors' training policy.

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

### **Remuneration committee**

Throughout the year ending 31 July 2011, the College's remuneration committee comprised Chair and Vice Chair of Corporation and the Chairs of Finance & Corporate Services and Curriculum & Quality (none of whom is a member of the Audit Committee). The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post holders.

Details of remuneration for the year ended 31 July 2011 are set out in note 9 to the financial statements.

### **Audit Committee**

The Audit Committee comprises of five members of the Corporation (excluding the Principal and Chair). The committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and financial statement auditors, who have access to the committee for independent discussion,



without the presence of College management if required. The committee also receives and considers reports from the Welsh Assembly Government as they affect the College's business.

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

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

The Audit Committee also advises the Corporation on the appointment of internal and financial statement auditors and their remuneration.

## **Internal control**

### **Scope of responsibility**

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

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

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Coleg Powys for the year ended 31 July 2011 and up to the date of approval of the annual report and accounts.

### **Capacity to handle risk**

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2011 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation. The internal auditors reported in July 2011 that the risk management procedures provided adequate assurance that risks material to the achievement of the organisation's objectives for the system are adequately managed and controlled.



## **The risk and control framework**

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- Regular reviews by the governing body of periodic and annual financial reports, which indicate the financial performance against budgets and forecasts.
- Setting targets to measure financial and other performance
- Clearly defined capital investment guidelines
- The adoption of project management disciplines, where appropriate

Coleg Powys has an internal audit service, which operates in accordance with the requirements of the Welsh Assembly Government. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At each Audit Committee there is a review of progress against previous audit recommendations and annually the internal audit service provides a full report on the internal audit activity within the College. The annual report includes the head of internal audit's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

## **Review of effectiveness**

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

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

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



The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2011 meeting, the Corporation carried out the annual assessment for the year ended 31<sup>st</sup> July 2011 by considering documentation from the Senior Management Team and Internal Audit, and taking account of events since 31<sup>st</sup> July 2011.

### Going concern

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

Approved by order of the members of the Corporation on 15<sup>th</sup> December 2011 and signed on its behalf by:

Signed: 

Mr. G. Cragg  
Chairman

Date: 15<sup>th</sup> December 2011

Signed 

Mr. S. Pirotte  
Principal

Date: 15<sup>th</sup> December 2011



## Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Welsh Assembly Government and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institution and with the Accounts Direction issued by the Welsh Assembly Government, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

Members of the Corporation are responsible for ensuring that funds from the Welsh Assembly Government are used only in accordance with the Further and Higher Education Act 1992 as amended, the Financial Memorandum with the Welsh Assembly Government, the Annual Schedule and any other conditions that the Welsh Assembly Government may prescribe from time to time. Members of the Corporation must ensure that there are appropriate financial, planning and other management controls in place in order to safeguard funds received from the Welsh Assembly Government, ensure compliance with the Financial Memorandum, the Annual Schedule, related guidance and any other terms and conditions under which grants are received. Members of the Corporation have ultimate responsibility for the proper stewardship of funds the College receives from the Welsh Assembly Government and for ensuring those funds are used for the purposes intended. In addition the members of the Corporation are responsible for delivering value for money from public funds and it should keep under review its arrangements for managing all resources under its control.

Approved by order of the members of the Corporation on 15<sup>th</sup> December 2011 and signed on its behalf by:

  
Mr. G. Cragg

Chairman

Date 15<sup>th</sup> December 2011



## COLEG POWYS

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011

#### INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF COLEG POWYS

We have audited the College financial statements ("the financial statements") set out on pages 16 to 43. 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).

This report is made solely to the Governing Body, as a body, in accordance with Article 18 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Governing Body of Coleg Powys and Auditor**

As more fully explained in the Statement of Corporation Responsibilities set out on page 13, the Corporation is responsible for the preparation of the financial statements which give a true and fair view.

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

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### **Opinion on the financial statements**

In our opinion the financial statements:

- a) give a true and fair view of the state of the College's affairs as at 31 July 2011 and of the College's deficit of expenditure over income for the year then ended; and
- b) have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

#### **Opinion on other matters**

In our opinion:

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



**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Accounts Direction to Further Education Institutions for 2010/11 issued by the Welsh Government requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement; or
- we have not received all the information and explanations we require for our audit.

*Baker Tilly UK Audit WP*

BAKER TILLY UK AUDIT LLP

Statutory Auditor

Chartered Accountants

Steam Mill

Chester

CH3 5AN

Date: *28th December 2011*



## COLEG POWYS

### INCOME AND EXPENDITURE ACCOUNT

FOR THE PERIOD FROM 1 AUGUST 2010 TO 31 JULY 2011

	Notes	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
<b>INCOME</b>			
Welsh Government Grants	2	9,179	9,907
Education contracts	3	882	968
Tuition fees and charges	4	383	380
Other grant income	5	0	0
Other operating income	6	1,553	1,330
Investment income	7	30	49
		<hr/>	<hr/>
Total income		12,027	12,634
		<hr/>	<hr/>
<b>Expenditure</b>			
Staff costs	8	7,572	7,804
Other operating expenses	10	4,145	4,142
Depreciation	13	573	500
Interest Payable (Pension Finance Costs)	11	120	220
		<hr/>	<hr/>
Total expenditure		12,410	12,666
		<hr/>	<hr/>
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and before tax and exceptional items		(383)	(32)
Exceptional Items: Restructuring Costs	8	0	194
Taxation	12	0	0
		<hr/>	<hr/>
<b>(Deficit)/surplus on continuing operations after depreciation of assets at valuation, disposal of assets, exceptional items and tax</b>		<b>(383)</b>	<b>(226)</b>
		<hr/>	<hr/>

The income and expenditure account is in respect of continuing activities



# COLEG POWYS

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

### FOR THE PERIOD FROM 1 AUGUST 2010 TO 31 JULY 2011

	Notes	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation, disposal of assets, exceptional items and tax		(383)	(226)
Actuarial gain in respect of pension scheme	24	150	710
<b>Total Recognised (losses)/gains since last report</b>		<b>(233)</b>	<b>484</b>
<b>Reconciliation</b>			
Opening reserves		7,602	7,118
Total recognised (losses)/gains for the year		(233)	484
<b>Closing reserves</b>		<b>7,369</b>	<b>7,602</b>



# COLEG POWYS

## STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

### FOR THE PERIOD FROM 1 AUGUST 2010 TO 31 JULY 2011

	Notes	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
(Deficit)/surplus on continuing operations before taxation		(383)	(226)
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	20	181	181
Historical cost (deficit)/surplus for the period before taxation		<hr/> (202)	<hr/> (45)
Taxation	12	0	0
<b>Historical cost (deficit)/surplus for the period after taxation</b>		<hr/> <b>(202)</b> <hr/>	<hr/> <b>(45)</b> <hr/>

*Notes on pages 21 to 43 form an integral part of the financial statements.*



# COLEG POWYS

## BALANCE SHEET AS AT 31 JULY 2011

	Notes	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
<b>Fixed Assets</b>			
Tangible assets	13	<u>7,606</u>	<u>7,399</u>
		<b>7,606</b>	<b>7,399</b>
<b>Current Assets</b>			
Farm Stocks	14	244	226
Debtors	15	710	628
Investments	26	2,000	4,000
Cash at bank and in hand	26	<u>2,926</u>	<u>1,447</u>
		5,880	6,301
Creditors – Amounts falling due within one year	16	(1,219)	(1,262)
<b>Net current assets</b>		<u><b>4,661</b></u>	<u><b>5,039</b></u>
<b>Total assets less current liabilities</b>		<b>12,267</b>	<b>12,438</b>
Creditors – amounts falling due after more than one year	17	(138)	0
Provisions for liabilities and charges	18	(36)	(38)
Net assets excluding pension liability		<u>12,093</u>	<u>12,400</u>
Net Pension Liability	24	(3,008)	(3,070)
<b>NET ASSETS including net pension liability</b>		<u><b>9,085</b></u>	<u><b>9,330</b></u>
Represented by			
Deferred capital grants	19	<u>1,716</u>	<u>1,728</u>
Reserves			
General reserve excluding pension reserve	22	5,190	5,304
Pension reserve	23	<u>(3,008)</u>	<u>(3,070)</u>
General reserve including pension reserve		2,182	2,234
Development reserve	21	683	683
Revaluation reserve	20	<u>4,504</u>	<u>4,685</u>
<b>Total reserves</b>		<u><b>7,369</b></u>	<u><b>7,602</b></u>
<b>TOTAL DEFERRED GRANTS AND RESERVES</b>		<u><b>9,085</b></u>	<u><b>9,330</b></u>

The financial statements on pages 16 to 43 were approved and authorised for issue by the Corporation on 15<sup>th</sup> December 2011 and were signed on its behalf by:-

  
G. Cragg – Chairman

  
S. Pirotte – Principal

  
E. Gwillim – Director of Finance

*Notes on pages 21 to 43 form an integral part of the financial statements.*



# COLEG POWYS

## CASH FLOW STATEMENT

### FOR THE PERIOD FROM 1 AUGUST 2010 TO 31 JULY 2011

	Notes	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
Net cash outflow from operating activities	25	<u>(5)</u>	<u>(149)</u>
Returns on investments and servicing of finance			
Other interest received	7	<u>30</u>	<u>49</u>
Net cash inflow from returns on investments and servicing of finance		<u>30</u>	<u>49</u>
Capital expenditure and financial investments			
Proceeds on sale of tangible fixed assets		0	0
Payments to acquire tangible fixed assets	13	(780)	(381)
Deferred capital grants received	19	<u>69</u>	<u>253</u>
Net cash outflow from investing activities		<u>(711)</u>	<u>(128)</u>
Management of liquid resources			
Movement in investments	26	2,000	1,000
Net cash inflow from financing	17	<u>165</u>	<u>0</u>
<b>Increase in cash in the year</b>		<u><b>1,479</b></u>	<u><b>772</b></u>
<b>Reconciliation of net cash flow to movement in net funds/debt</b>			
Increase in cash in the period	26	1,479	772
Cash (outflow) from liquid resources	26	(2,000)	(1,000)
Movement in net funds in period		(521)	(228)
Net funds as 1 August	26	5,447	5,675
<b>Net funds at 31 July</b>		<u><b>4,926</b></u>	<u><b>5,447</b></u>

*Notes on pages 21 to 43 form an integral part of the financial statements.*



**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 July 2011**

**1. Accounting policies**

**Statement of accounting policies**

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

**Basis of Preparation**

These financial statements have been prepared in accordance with the statement of Recommended Practice (SORP) Accounting for Further and Higher Education 2007 ( the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published by the Welsh Assembly Government Circular 018/2011.

**Basis of Accounting**

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

**Recognition of Income**

Income from grant, contracts, student fees and other services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Non-recurrent grants from DCELLS or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

**Post Retirement Benefits**

Retirement benefits to employees of the college are provided by The Teachers Pensions Scheme (TPS) and Local Government Pensions Scheme (LGPS). These are defined benefits schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. (SERPS) and the assets are held separately from those of the college.

The TPS is an unfunded scheme and contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 24, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the college in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses



## **COLEG POWYS**

### **NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 July 2011**

#### **Accounting policies (continued)**

##### **Going concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cash flow and liquidity are set described in the Financial Statements and the accompanying notes

The college has achieved a deficit at year ended 31 July 2011 of £383,000 (2010: £226,000) and the Balance Sheet shows net current assets of £4,661,000 (2010 net current assets £5,039,000), after accounting for the effects of FRS 17 on the Local Government Superannuation Scheme.

The Corporation has considered and approved detailed financial and cash flow forecasts for the next financial year and the projections through to the year-ended 31 July 2014. Accordingly the Governors have a reasonable expectation that the College has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its annual financial statements.

##### **Enhanced Pensions**

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the college's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the Skills Funding Agency as advised by the Welsh Government.

##### **Tangible Fixed Assets**

###### **a) Land and buildings**

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation, mainly on the basis of depreciated replacement cost, with some at open market value. The transitional provisions of FRS15 have been adopted and valuations will not be updated in the future.

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

Freehold and Leasehold buildings are depreciated over their expected useful economic life to the college of forty years. Buildings under construction are not depreciated until completed. A review for impairment of a fixed asset is carried out if events or changes in the circumstances indicate that the carrying value of any fixed asset may not be recoverable. Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs



- Significant extension of the asset's life beyond that conferred by repairs and maintenance

#### b) Equipment

Computer and Office equipment, costing less than £2,000 per individual item, are written off to the income and expenditure account in the period of acquisition except where purchased as part of a defined initiative when they are capitalised at cost. All other equipment/plant and machinery, costing not less than £500, is capitalised at cost

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

#### c) Depreciation

Inherited farm equipment has been depreciated on a straight line basis over its remaining useful economic life of four years. All other equipment, whether inherited or acquired, is depreciated over its useful economic life as follows:

Computer and Office equipment	33.33%	per annum
Motor Vehicles	33.33%	per annum
Workshop equipment	33.33%	per annum
Leisure Studies equipment	33.33%	per annum
Plant and Machinery	10.00%	per annum
Fixtures and Fittings	10.00%	per annum
Farm Equipment	10.00%	per annum

Assets in the course of construction are not depreciated until brought into use.

#### Farm Stocks

Farm stocks are valued at net realisable value less 15% in accordance with accepted agricultural valuation practice.

#### Foreign Currency

The Corporation does not hold Assets or Liabilities in foreign currencies.

#### Liquid Resources

Liquid resources include sums held on Fixed-Term Deposits with recognised United Kingdom financial institutions.

#### Provisions

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

#### Operating Leases

Rentals payable under operating leases are charged to expenditure on a straight line basis over the period of the lease.



## **Maintenance of Premises**

### a) Responsive maintenance

Routine responsive maintenance is charged to income and expenditure account during the period it is incurred.

### b) Planned long-term maintenance

The college has a planned maintenance programme which is reviewed as part of the estates strategy.

## **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

## **Financial Contingency Fund**

The Financial Contingency Fund grant from the Welsh Assembly Government is available solely for students; the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

## **Investments**

Investments consist of Sterling UK cash deposits.



# COLEG POWYS

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2011

<b>2 Welsh Government Grants</b>	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
Recurrent grant	8,101	8,260
Non-Recurrent grants and contracts	638	1,189
Releases of deferred capital grants – equipment	13	13
Releases of deferred capital grants – estates development	68	65
Work Based Learning	359	380
	<u>9,179</u>	<u>9,907</u>
<b>3 Education contracts</b>		
LEA	167	170
Higher Education (HE) Income	159	256
Other income	556	542
	<u>882</u>	<u>968</u>
<b>4 Tuition fees and charges</b>		
European Community (EC) (including home)	383	380
	<u>383</u>	<u>380</u>
<b>5 Other grant income</b>		
European funds	0	0
	<u>0</u>	<u>0</u>
<b>6 Other operating income</b>		
Other Grants UK– Theatr Deferred Capital Grant Release	0	16
Catering and residence operations	375	338
Farming activities	179	187
Profit on disposal of tangible fixed assets	0	0
Other income-generating activities	567	608
Other income	432	181
	<u>1,553</u>	<u>1,330</u>
<b>7 Investment income</b>		
Other interest receivable	30	49
	<u>30</u>	<u>49</u>



# COLEG POWYS

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2011

### 8 Staff Numbers and Costs

	Year Ended 31 July 2011	Year Ended 31 July 2010
Staff Numbers		Restated
The average monthly number of salaried staff (including senior post holders) employed by the College during the period was: (Expressed as full-time equivalents)	Numbers FTE's	Numbers FTE's
Teaching and Learning departments	149.9	158.3
Teaching and Learning support services	22.8	23.4
Other support services	21.0	21.8
Administration and central services	29.9	32.6
General Education expenditure	2.7	2.0
Premises	2.0	2.0
Other income-generating activities	9.0	9.5
Catering and residences	9.1	10.4
Farm	2.2	2.2
	<u>248.6</u>	<u>262.2</u>
Staff costs for the above persons	2011 £000s	Restated 2010 £000s
Teaching and Learning departments	5,004	5,128
Teaching and Learning support services	539	560
Other support services	433	471
Administration and central services	1,065	1,106
General Education expenditure	54	43
Premises	62	61
Other income-generating activities	207	216
Catering and residences	152	162
Farm	63	59
SSAP24 pension provision – increase	0	1
Staff restructuring (excluding exceptional items)	25	0
FRS17 adjustments	(32)	(3)
	<u>7,572</u>	<u>7,804</u>
Wages and salaries	6,335	6,514
Social security costs	429	434
Other pension costs – T.P.S.	473	514
Other pension costs – L.G.P.S. (including FRS 17 adjustments)	310	341
SSAP24 pension provision – increase	0	1
Staff restructuring (excluding exceptional items)	25	0
	<u>7,572</u>	<u>7,804</u>
Items restated for 2010 are due to student services restructuring, centralising of learning services and staff secondment.		
Employment costs for staff on permanent contracts	6,514	6,782
Employment costs for hourly-paid P/T lecturing staff on short term and temporary contracts	1,090	1,025
FRS17 Pension adjustments	(32)	(3)
	<u>7,572</u>	<u>7,804</u>
Exceptional items – Restructuring Costs	<u>0</u>	<u>194</u>

Restructuring costs consist of severance payments to college staff paid or incurred in the year to 31<sup>st</sup> July 2011



**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 July 2011**

**9 Senior post-holders' emoluments**

Senior post-holders are defined as the principal (or chief executive) and holders of the other senior posts whom the board have selected for the purposes of the articles of government of the college relating to the appointment and promotion of staff who are appointed by the board of governors.

	Year Ended 31 July 2011 Number	Year Ended 31 July 2010 Number
The number of senior post-holders, (including two principals in 2010,) was:	2	3

The number of staff, (which does not include the two Principals in 2010), who received emoluments in the following ranges was:

	Number	Number
£60,001 to £70,000	0	0
£70,000 to £80,000	1	1
£80,001 to £90,000	0	0
£90,001 to £100,000	0	0
£100,001 to £110,000	1	0
	<u>2</u>	<u>1</u>

The total emoluments below include all senior post holders:

	£000s	£000s
Salary	155.8	143.4
Benefits in kind	0.0	0.0
Pension contributions	24.5	22.0
Total emoluments	<u>180.3</u>	<u>165.4</u>

The above emoluments include those of the two principals who were senior post holders in the year ended 31 July 2010

1 <sup>st</sup> August 2009 to 31 <sup>st</sup> January 2010- J. Stephenson	£000s	£000s
Salary	0.0	51.2
Benefits in kind	0.0	0.0
Pension contributions	0.0	6.4
Total emoluments	<u>0.0</u>	<u>57.6</u>

	12 months to 31 July 2011 £000s	3 months to 31 July 2010 £000s
S. Pirotte		
Salary	92.0	30.0
Benefits in kind	0.0	0.0
Pension contributions	13.0	4.2
Total emoluments	<u>105.0</u>	<u>34.2</u>

The members of the corporation, other than the principal and staff members, did not receive any payment from the college except for the reimbursement of travel and subsistence expenses incurred in the course of their duties. Senior post-holders, including the principal, received a pay increase in line with the pay award for management staff.



# COLEG POWYS

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2011

	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
<b>10 Other operating expenses</b>		
Teaching costs	689	548
Non teaching costs	1,983	1,929
Premises costs	1,473	1,665
	<hr/>	<hr/>
	4,145	4,142

Other operating expenses include:

Auditors remuneration		
External audit	21	23
Internal audit	16	15
	<hr/>	<hr/>
	37	38

### Operating Lease Costs:

	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
Plant and equipment	5	17
Motor vehicles	34	43
	<hr/>	<hr/>
	39	60

### 11 Interest Payable

	Year ended 31 July 2011 £'000s	Year ended 31 July 2010 £'000s
Pension finance costs (note 24)	<hr/>	<hr/>
	120	220

### 12 Taxation

The members of the Corporation believe that the Corporation is not liable for any corporation tax arising out of activities during the period. The Corporation has no subsidiary undertakings and therefore no liability for any corporation tax arising out of activities during the period.



# COLEG POWYS

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2011

### 13 Tangible Fixed Assets

	Land and Buildings		Assets in course of construction £000s	Equipment £000s	Total £000s
	Freehold £000s	Long Leasehold £000s			
Cost or valuation					
At 1 August 2010	10,731	175	185	2,483	13,574
Additions	97	0	186	497	780
Transfers	185	0	(185)	0	0
Disposals	0	0	0	0	0
At 31 July 2011	<u>11,013</u>	<u>175</u>	<u>186</u>	<u>2,980</u>	<u>14,354</u>
Depreciation					
At 1 August 2010	3,909	61	0	2,205	6,175
Charge for period	268	4	0	301	573
Disposals	0	0	0	0	0
At 31 July 2011	<u>4,177</u>	<u>65</u>	<u>0</u>	<u>2,506</u>	<u>6,748</u>
<b>Net book value</b>					
<b>At 31 July 2011</b>	<u><b>6,836</b></u>	<u><b>110</b></u>	<u><b>186</b></u>	<u><b>474</b></u>	<u><b>7,606</b></u>
Net book value					
At 1 August 2010	<u>6,822</u>	<u>114</u>	<u>185</u>	<u>278</u>	<u>7,399</u>
Net book value (Sourced)					
Inherited	4,509	110	0	0	4,619
Financed by capital grant	1,684	0	0	32	1,716
Other	643	0	186	442	1,271
	<u>6,836</u>	<u>110</u>	<u>186</u>	<u>474</u>	<u>7,606</u>

Land and buildings were valued for the purpose of the 1994 financial statements by Thompson and Bryan, chartered surveyors, at depreciated replacement cost and (some) at market value. Other tangible fixed assets inherited from the Local Education Authority at incorporation, have been valued by the corporation on a depreciated replacement cost basis.

Land and buildings with a net book value at 31 July 2011 of £4,619,000 have been financed from Local Education Authority sources. Should these assets be sold, the college would either have to surrender the sale proceeds to WAG or use them in accordance with the terms of the Financial Memorandum with WAG. Depreciation calculations have been simplified by charging a full year's depreciation in the year of purchase and equal amounts in subsequent years, over the life of the asset.



# COLEG POWYS

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2011

	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
<b>14 Farm Stocks</b>		
Farm Stocks	<u>244</u>	<u>226</u>
<b>15 Debtors: Amounts falling due within one year</b>		
Trade Debtors	196	177
Accrued income and prepaid expenditure	<u>514</u>	<u>451</u>
	<u>710</u>	<u>628</u>
<b>16 Creditors: Amounts falling due within one year</b>		
Trade creditors	5	151
Accruals	1,018	528
ESF grant repayment	0	132
Other – taxation and social security	1	147
Grants received in Advance	168	304
Payments in respect of external loan	27	0
	<u>1,219</u>	<u>1,262</u>
<b>17 Creditors: Amounts falling due after more than one year</b>		
Payments in respect of external loan	<u>138</u>	<u>0</u>
	<u>138</u>	<u>0</u>
<b>External Borrowings</b>		
Included within creditors amounts falling due within one year and amounts falling due after more than one year are unsecured borrowings owed to Salix Finance as follows:		
Less than one year	27	0
Between one and two years	28	0
Between two and five years	82	0
Greater than five years	<u>28</u>	<u>0</u>
	<u>165</u>	<u>0</u>

The loan is for energy saving lighting equipment and installation available to the college as an educational institute on 0% interest with fixed repayments over six years.



**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 July 2011**

**18 Provisions for liabilities and charges**

	<b>Enhanced Pensions</b>	<b>Other</b>	<b>Total</b>
At 1 August 2010	38	0	38
Expenditure in period	(4)	0	(4)
Transferred to Provision from Income and Expenditure account	2	0	2
At 31 July 2011	<u><b>36</b></u>	<u><b>0</b></u>	<u><b>36</b></u>

The enhanced pension provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance published by the Welsh Assembly Government Circular 018/2011.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2011

<b>19 Deferred Capital Grants</b>	WG Grants £000s	<b>Year Ended 31 July 2011 Total £000s</b>	Year Ended 31 July 2010 Total £000s
At 1 August			
Land and buildings – Brecon	990	<b>990</b>	1,030
Equipment – Brecon	145	<b>145</b>	0
Estates Development Grant	548	<b>548</b>	466
Equipment	45	<b>45</b>	72
	<u>1,728</u>	<u><b>1,728</b></u>	<u>1,568</u>
Cash received			
Land and buildings – Brecon	0	<b>0</b>	0
Capital Maintenance	0	<b>0</b>	148
Estates Development Grant	69	<b>69</b>	105
Equipment	0	<b>0</b>	0
	<u>69</u>	<u><b>69</b></u>	<u>253</u>
Released to income and expenditure			
Land and buildings – Brecon	38	<b>38</b>	38
Capital Maintenance	4	<b>4</b>	4
Estates Development Grant	26	<b>26</b>	23
Equipment	13	<b>13</b>	28
	<u>81</u>	<u><b>81</b></u>	<u>93</u>
At 31 July			
Land and buildings – Brecon	952	952	992
Capital Maintenance	141	141	144
Estates Development Grant	591	591	548
Equipment	32	32	44
<b>Total</b>	<u><b>1,716</b></u>	<u><b>1,716</b></u>	<u><b>1,728</b></u>



**COLEG POWYS****NOTES TO THE FINANCIAL STATEMENTS****for the year ended 31 July 2011**

<b>20 Revaluation Reserve</b>	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
At 1 August	4,685	4,866
Contributions to depreciation	(181)	(181)
At 31 July	<u>4,504</u>	<u>4,685</u>

<b>21 Development Reserve</b>	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
Unspent Income from Sale of Land and Buildings Held against expenditure on any future capital project		
At 1 August	683	683
Less purchase cost of relevant assets purchased in year	0	0
At 31 July	<u>683</u>	<u>683</u>

<b>22 Movement on general reserves</b>	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
<b>a) Income and expenditure account reserve</b>		
At 1 August	5,304	5,132
(Deficit)/surplus retained for the year	(383)	(226)
Transfer to Pension Reserve	88	217
Contribution to depreciation from Revaluation Reserve	181	181
At 31 July	<u>5,190</u>	<u>5,304</u>



# COLEG POWYS

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2011

	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
<b>23 Pension reserve</b>		
At 1 August	(3,070)	(3,563)
FRS17 movements – actuarial gain / (losses)	150	710
Transfer from General Reserve	(88)	(217)
<b>At 31 July</b>	<b><u>(3,008)</u></b>	<b><u>(3,070)</u></b>



**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 July 2011**

**24 Pension and similar obligations**

The college's employees belong to two principal pension schemes, the Teachers' Pension Scheme England and Wales (TPS) (unfunded) for academic and related staff; and the Local Government Pension Scheme (LGPS) (funded) for non teaching staff, which is managed by Powys County Council. Both are defined benefit schemes.

<b>Total pension cost for the year</b>	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
Local Government Pension Scheme:		
Contributions paid	342	344
Adjustment	(32)	(3)
Total operating charge to Income & Expenditure Account under staff costs	310	341
Finance Charge	120	220
Total Charge under FRS17	430	561
Teachers Pension Scheme: contributions paid		
Enhanced pension charge to Income & Expenditure Account (staff costs)	473	514
	0	1
<b>Total Pension Cost for Year</b>	<b>903</b>	<b>1,076</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the schemes were as at 31 March 2004 for the TPS and 31 March 2010 for the LGPS.

**TPS – Teachers’ Pension Scheme**

The TPS is an unfunded defined benefit scheme. Contributions on a “pay-as-you-go” basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates.

The pensions cost is assessed no less than every four years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective benefits
Investment returns per annum	6.5 per cent per annum
Salary scale increases per annum	5.0 per cent per annum
Notional value of assets at date of last valuation	£162,650 million
Proportion of members’ accrued benefits covered by the notional value of the assets	98.88%

Following the implementation of Teacher’s Pension (Employers’ Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions. For the period from 1 August 2010 to 31 July 2011 the employer contribution was 14.1 per cent. The employee rate was 6.4% for the same period. An appropriate provision in respect of unfunded pensioners’ benefits is included in provisions.



**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 July 2011**

**24 Pension and similar obligations (Continued)**

**FRS 17**

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

**LGPS - Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds.

The total contribution made for the year ended 31 July 2011 was £461,474 of which employers' contributions totalled £341,902 and employees' contributions totalled £119,571. The agreed contribution rates depend upon the nature of the Scheme. The current contribution rates are 17.8% for employers and range from 5.5% to 7.5% for employees.

**FRS 17**

The Amounts recognised in the balance sheet are as follows:

	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
Present value of funded obligations	(9,650)	(9,000)
Fair value of scheme assets	6,662	5,960
	<u>(2,988)</u>	<u>(3,040)</u>
Present value of unfunded obligations	(20)	(30)
Unrecognised past service cost	0	0
	<u>(20)</u>	<u>(30)</u>
Deficit	<u>(3,008)</u>	<u>(3,070)</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 July 2011**

**24 Pension and similar obligations (Continued)**

Changes in the present value of the defined benefit obligation are as follows:

	Year Ended 31 July 2011	Year Ended 31 July 2010
	£000s	£000s
Opening defined benefit obligation	9,000	8,550
Current service cost	310	330
Interest cost	490	520
Employee contributions	120	120
Actuarial losses/(gains)	(140)	540
(Gains)/losses on curtailments	0	0
Liabilities extinguished on settlements	0	0
Benefits paid	(130)	(110)
Past service cost	0	(950)
Closing defined benefit obligation	<u>9,650</u>	<u>9,000</u>

Changes in the fair value of scheme assets are as follows:

	Year Ended 31 July 2011	Year Ended 31 July 2010
	£000s	£000s
Opening scheme assets	5,960	5,017
Expected return	370	300
Actuarial gains/(losses)	0	300
Assets distributed on settlements	0	0
Contributions by employer	342	333
Contributions by participants	120	120
Benefits paid	(130)	(110)
Closing defined benefit obligation	<u>6,662</u>	<u>5,960</u>

# COLEG POWYS

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2011

### 24 Pension and similar obligations (Continued)

The amounts recognised in income and expenditure are as follows:

	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
Current service cost (net of employee contributions)	310	341
Interest on obligation	490	520
Expected return on scheme assets	(370)	(300)
Past service costs	0	0
Losses/(gains) on curtailments and settlements	0	0
<b>Total</b>	<b>430</b>	<b>561</b>

The actual return on scheme assets was £370,000 (2010 £600,000)

The amounts recognised in the Statement of Recognised Gains & Losses are as follows:

	Current year		Cumulative	
	2011	2010	2011	2010
	£000s	£000s	£000s	£000s
Actuarial gains/(loss)	150	710	(1,140)	(1,290)

The College's share of scheme assets and the expected rates of return were:

	Long-term rate of return expected at 31 July 2011	Value at 31 July 2011	Long-term rate of return expected at 31 July 2010	Value at 31 July 2010
		£'000		£'000
Equities	7.9%	3,343	8.2%	2,861
Property	7.4%	453	7.7%	423
Government bonds	3.9%	1,253	4.2%	1,299
Corporate bonds	4.7%	793	4.9%	864
Cash	1.5%	453	1.4%	507
Other	7.9%	367	8.2%	6
<b>Total</b>	<b>6.3%</b>		<b>6.2%</b>	
<b>Total market value of assets</b>		<b>6,662</b>		<b>5,960</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 July 2011

**24 Pension and similar obligations (Continued)**

<b>Principal Actuarial Assumptions</b>	<b>At 31 July 2011</b>	<b>At 31 July 2010</b>	<b>At 31 July 2009</b>
Discount rate at 31 July	5.3%	5.4%	6.0%
Expected return on scheme assets at 31 July	6.3%	6.2%	6.1%
RPI Inflation	3.7%	3.5%	3.8%
CPI Inflation	2.8%	2.8%	n/a
Rate of general long term increase in salaries	5.2%	5.0%	5.3%
Rate of increase to pensions in payment	2.8%	2.8%	3.8%
Rate of increase to deferred pensions	2.8%	2.8%	3.8%

Coleg Powys employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 July 2011.

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

	<b>At 31 July 2011</b>	
	<b>Retiring today</b>	<b>Retiring in 20 years</b>
Males	21.5	23.3
Females	23.7	25.6

	<b>At 31 July 2010</b>	
	<b>Retiring today</b>	<b>Retiring in 20 years</b>
Males	20.9	23.1
Females	22.9	25.1



**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 July 2011**

**24 Pension and similar obligations (Continued)**

Amounts for the current and previous four periods are as follows:

Defined benefit pension scheme

	2011	2010	2009	2008	2007
History of experience adjustments					
Fair value of scheme assets	6,662	5,960	5,017	5,099	5,080
Present value of defined benefit obligations	(9,650)	(9,000)	(8,550)	(6,850)	(6,720)
(Deficit)/surplus	(2,988)	(3,040)	(3,533)	(1,751)	(1,640)

**History of experience gains and losses**

Experience adjustments on share of scheme assets £'000s	0	300	(670)	(640)	0
Experience adjustments on scheme liabilities £'000s	610	50	(10)	380	10

In accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous four periods are measured at current bid price. Asset values previously measured at midmarket value for periods ending 2008 and 2007 have been re-measured for this purpose.

# COLEG POWYS

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2011

### 25 Reconciliation of consolidated operating (deficit)/surplus to net cash (outflow)/inflow from operating activities

	Year Ended 31 July 2011	Year Ended 31 July 2010
	£000s	£000s
Deficit on continuing operations after depreciation of assets at valuation and exceptional items	(383)	(226)
Depreciation (note 13)	573	500
Deferred capital grants released to income (note 19)	(81)	(93)
(Profit)/loss on disposal of tangible fixed assets (note 6)	0	0
Pension cost less contributions payable	(32)	(3)
(Increase)/decrease in stocks	(18)	0
Decrease/(increase) in prepayments and accrued income	(63)	(86)
(Increase)/decrease in debtors	(19)	208
(Decrease)/increase in accruals and prepaid income	76	(640)
(Decrease) in trade creditors <1 year	(146)	151
Increase/(Decrease) in creditors >1 year	0	(132)
Increase/(decrease) in provisions for liabilities for charges	(2)	1
Interest receivable (note 7)	(30)	(49)
Interest payable (pension finance costs see note 11)	120	220
Net cash (outflow)/inflow from operating activities	<u>(5)</u>	<u>(149)</u>

### 26 Analysis of movements in net funds

	At 1 August 2010 £000s	Cashflows £000s	Other Changes £000s	At 31 July 2011 £000s
Cash in hand/at bank	1,447	1,479		2,926
Current asset investments	4,000	(2,000)		2,000
<b>Total</b>	<u>5,447</u>	<u>(521)</u>	<u>0</u>	<u>4,926</u>

### 27 Post balance-sheet events

In April 2011 Powys County Council commenced works to extend and improve the Theatre premises. At the year end the works were incomplete. The college also incurred costs associated with this capital development and these are included in work in progress in the accounts to 31<sup>st</sup> July 2011. Powys County Council have since confirmed that the building element of their investment in the theatre will be donated to the college in the year to 31<sup>st</sup> July 2012



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2011

	31 July 2011 £000s	31 July 2010 £000s
<b>28 Capital commitments</b>		
At 31 July 2011		
Commitments contracted for	328	211
Commitments approved but not contracted for	<u>0</u>	<u>0</u>
	<u>328</u>	<u>211</u>

**29 Financial commitments**

At 31 July the College had annual commitments under non cancellable operating leases as follows:

	31 July 2011 £000s	31 July 2010 £000s
Other		
Expiring within one year	21	37
Expiring between two and five years inclusive	5	24
Expiring in over five years	0	0
	<u>26</u>	<u>61</u>

**30 Related party transactions**

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

No transactions were identified which should be disclosed under F.R.S. 8 – related party disclosures.

Transactions with the Welsh Government are detailed in notes 2,16 and 19.



## COLEG POWYS

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2011

#### 31 Financial Contingency Fund

	Year Ended 31 July 2011 £000s	Year Ended 31 July 2010 £000s
WAG Grants	198	197
Grant – towards College administration costs	0	0
Interest Earned	0	0
Additional support from Coleg Powys funds	0	0
	<u>198</u>	<u>197</u>
Disbursed to students	191	187
Grant – paid over to the College towards administration costs	0	0
Administration Charges - College	0	0
Audit Fees contribution	0	0
Expenditure	<u>191</u>	<u>187</u>
<b>Balance: Surplus/(deficit) at 31 July 2010</b>	<u>7</u>	<u>10</u>
Opening Balance – at 1 <sup>st</sup> August	10	0
Surplus/(deficit) for the year	7	10
<b>Closing Balance – at 31<sup>st</sup> July 2011</b>	<u>17</u>	<u>10</u>

