

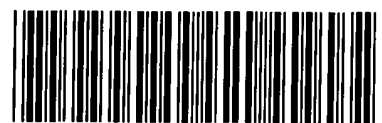


**Y Coleg
Merthyr Tudful
The College
Merthyr Tydfil**

**Merthyr Tydfil College Limited
Coleg Merthyr Tudful Cyfyngedig**

**Annual Report and Financial
Statements for the year ended
31st July 2021**

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Merthyr Tydfil College Limited

Annual Report and Financial Statements for the year ended 31 July 2021

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Merthyr Tydfil College Limited

Directors' report (incorporating the Strategic report) for the year ended 31 July 2021

The directors present their report and the audited financial statements of The College Merthyr Tydfil (known as 'the Company' or 'the College') for the year ended 31 July 2021. The financial statements have been prepared to comply with the Companies Act 2006 and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 and in accordance with the Accounts Direction for Further Education Colleges in Wales 2020/21.

Principal activities

The College is a wholly owned subsidiary of the University of South Wales (USW) and the principal activities are the provision of further education, higher education, work based learning, professional training, consultancy and the delivery of Government initiatives to industry.

Strategic Report

Business review and future developments

During the year, the Board reviewed the five-year strategic plan which articulates how the College will develop. The College's strategic priorities are:

- To provide an outstanding learning experience by placing our learners at the heart of everything we do.
- To offer an innovative and responsive curriculum that supports all learners to progress on to their chosen career pathway.
- To provide a safe, supportive and inclusive college environment for all learners and staff
- To work collaboratively across our region to deliver inspiring and effective skills and training programmes that promote lifelong learning, support economic growth and meet stakeholder needs.
- To provide effective Financial, HR and Estates strategies to maximise sustainability and resilience, supporting future investment in the college as a first class learning and working environment for all.

Curriculum developments

The college works in partnership with local schools, the local authority, employers and the South East Wales Regional Partnership to offer an innovative, distinctive, high quality curriculum that raises aspirations and transforms lives, providing industry relevant, employer focussed courses and qualifications with appropriate progression pathways for learners of all abilities and ages to succeed and progress on to higher level learning, apprenticeships or employment.

The college's Curriculum Portfolio Group provides an effective platform for employers and local community representatives to feed into curriculum development and delivery. This feedback, together with the use of detailed EMSI labour market intelligence data, has enabled the college to bring together and triangulate local school planning data, labour market intelligence and employer feedback to ensure that our curriculum is both demand-led and inclusive whilst also responding to industry and economic need. This has resulted in the successful introduction of new industry relevant courses in Games Design, E-Sports and Electrical Installation together with a new lower-level Vocational pathways course to bridge gaps in provision and extend the choices available to learners.

Partnerships

The college has fantastic partnership links with local schools, with 86% of the year 11 pupils progressing to the college in September 2021. This is further enhanced through a comprehensive school transition programme, including taster days, open evenings, Have A Go Events, attendance at year 11 assemblies and parents evenings and school based subject talks. During 2020-2021, this transition programme continued through a series of on-line events, live presentations and talks and live question and answer sessions.

During 2020-2021, the college has continued to build upon its excellent relationships with local employers, engaging with over 93 employers and progression partners across the year to drive forward college provision, on-line work experience placements and volunteering opportunities, employability advice and guidance, employer engagement projects, provision of part-time training and development through both our part-time funding and PLA route, careers talks and virtual careers fairs, progression and taster events. Key employers engaged with include, E-Sports Wales, Golf Wales, Panasonic, Newport Wafer Fab, Concrete Canvas, Tenneco, Philtronics, Creative Wales, Cardiff Theatrical Company, Barclays, Cwm Taf Health Board, Valleys Construction, Active Merthyr and many more.

Merthyr Tydfil College Limited

Directors' report (incorporating the Strategic report) for the year ended 31 July 2021

Learner Voice

The college conducts annual first experience and learner voice surveys, which seek views on teaching and learning quality, student experience, assessment and feedback, learner support, learner voice and other key quality indicators.

Higher Education learners also take part in the annual National Student Survey.

Outcomes of our 2020/2021 surveys indicate that 86% of further education learners and 79% of HE learners were satisfied with their experience at college.

Feedback from the surveys is used alongside the outcomes of learner focus groups to improve and develop college courses, learner support, enrichment and general college life to enhance the student experience. Feedback is discussed with the learners themselves and staff with resultant actions communicated back to learners through a variety of mechanisms, including You Said, We Did campaigns.

Results

The company's surplus for the year ended 31 July 2021 was £992k (2020: £294K).

The College's cash and liquidity positions remained strong throughout the year, with year-end cash balances exceeding target with a healthy current ratio (current assets to current liabilities).

Going Concern

The College has net liabilities which include a substantial long term pension deficit (see note 16 to the financial statements). In assessing whether the going concern basis is appropriate the Directors have considered the College's expected future cash flows and are satisfied that the College has adequate resources to continue in operational existence for a minimum of 12 months from the date of the signing of the financial statements. The College's assessment has included reforecasts and stress testing in response to the Coronavirus pandemic which have indicated that the College has capacity to absorb the short and medium term financial impact caused by the outbreak. In conjunction with the management at the University of South Wales, the Directors will continue to assess the options available to manage the pension deficit in order to ensure the College's long term sustainability.

Key Performance Indicators

The following five key performance indicators (KPIs) are relevant when assessing performance for the year:

- i) Surplus - **£992K** (2020: £294K)
- ii) Year-end cash position - £5,609K (2020: £5,460K)
- iii) Current ratio – 2.21 (2020: 2.20)
- iv) Learner Voice – 86% overall FE satisfaction for 2020/2021, 79% overall HE satisfaction for 2020/21
- v) Learner Outcomes – 97% A level success rate, vocational success rates for 2020-2021 are not yet available

Student numbers: For the academic year 2020/21 the college had 2,429 (2019/20: 2,656) Further Education students 1,807 on full-time courses and 622 on part-time courses, (2019/20 1,758 FT, 898 PT), 276 Higher Education students 214 full-time and 629 part-time, (2019/20 246 FT, 92 PT). Some of these numbers, particularly on part time/higher education provision, have been adversely affected due to the impact of the pandemic.

Directors' report (incorporating Strategic report) for the year ended 31 July 2021 (continued)

Quality: Student performance in 2020-21 was very good at all levels. The results were testament to the hard work and dedication of the learners and teaching staff and also the parents and staff who have supported the students throughout the past two very disrupted years. The college has established protocols and procedures to enable rigorous monitoring and support for learners to achieve their qualifications as the college reverts back to more 'normal' assessment procedures.

Health & Safety: The most recent audit conducted by the University demonstrated a comprehensive approach to the management of Health and Safety. The College has an action plan to address any shortcomings identified in audit reports.

Subsidiary Company

On the 1st August 2018 the College acquired Tydfil Training Company Limited, a charitable company engaged primarily in the provision of work based learning training. Tydfil Training Company's turnover for the year ended July 31 2020 was some £1,383k (2019: £1,431k.) For reporting purposes these are consolidated at group level. Since acquisition the College and Tydfil Training Company management teams have been working together to maximise the benefits available to both parties. By combining our resources and skills, it will give the new body the greatest potential to maximise the offer from the newly commissioned "Job Support Wales" contract.

Principal risks and uncertainties

Outlined below are the principal risks facing the College. Not all the factors are wholly within the College's control. Other factors besides those listed below may also adversely affect the College.

Government funding

The College relies considerably on continued government funding. In **2021 90%** of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College mitigates the risk by:

- o Ensuring that it continues to explore opportunities to diversify income
- o Delivering a curriculum that is responsive to the needs of the local community whilst also supporting Regional priority sectors and future skills needs
- o Maintaining a key focus on its quality profile to maintain and enhance its excellent reputation and be the college of choice for learners, parents and employers alike.
- o Maintaining and continuing to build partnerships with schools, employers and the business community.
- o Being responsive to any funding intelligence in a timely manner

Financial Sustainability

The College will continue to explore alternative sources of income both in collaboration with partners and in its own right. This risk is mitigated in a number of ways:

- o Funding is derived through a number of direct contractual arrangements;
- o Expansion of higher education under HEFCW's widening access agenda,
- o Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies; and
- o Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.

The impact of the coronavirus pandemic has created uncertainty and disruption to both the economy and education. This has resulted in a number of financial and operational challenges. The College has ensured that a safe learning environment is provided for all staff and learners in accordance with Welsh Government guidance for safe operation, whilst ensuring the financial impact is considered in the short, medium and long term.

Merthyr Tydfil College Limited

Directors' report (incorporating Strategic report) for the year ended 31 July 2021 (continued)

Risk management

The College is committed to exhibiting best practice in all areas of risk management and corporate governance, fully adhering to the principles set out in the Governance Code of Practice and General Principles.

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

The College maintains a risk register which considers business, operational, compliance and financial risks. The register is regularly reviewed by senior management, and the College's risk management process is consolidated into the

University of South Wales (parent entity) whose internal control guidance adheres to the combined code as amended by the British Universities Finance Directors Group.

The Board of Directors met four times during the reporting period. In terms of audit arrangements, whilst a separate College Audit Committee has not been established, all audit reports and reviews and other information relating to the company are formally received by the University of South Wales' Audit Committee which meets four times per year. The 2020-21 annual report of the internal auditors was considered by both the University's Audit Committee and the College's Board of Directors, who also approved the internal audit plan for 2021-22.

As part of the University of South Wales group financial risk management and internal control framework, as highlighted in the financial statements of the University of South Wales, the College has undertaken work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the College Executive (the senior management team) undertakes a comprehensive review of the risks to which the College is exposed. The College Executive identify systems and procedures, including specific preventative actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review effectiveness and progress against risk mitigation actions. In addition to the annual review, the College Executive will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College which is reviewed four times a year by the Board of Directors. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The College as part of the University of South Wales Group, has agreed with its internal auditors that their programme of work and the approach to internal control will be risk based: this includes business, operational and compliance risks as well as financial risk.

This has been in place for the year ended 31 July 2021 and in place up to the date of approval of the Financial Statements.

Energy Reporting and Efficiency

The College is working towards reporting in accordance with the HM Government Environmental Reporting guidelines. This is being developed with support from Wales Energy Service. This report will include information such as UK Greenhouse gas emissions and energy use for the reporting period, with the prior year included for comparison purposes.

The college has a commitment to maintaining an environmentally sustainable, supportive and technologically innovative institution. The building is partially heated by a biomass system with solar panels installed on the roof of the campus. The college has installed an electric vehicle charging point and has commenced a large scale project to upgrade the lighting system to LED.

Directors' report (incorporating Strategic report) for the year ended 31 July 2021 (continued)

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This statement describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code 2018. Its purpose is to help the reader of the annual report and financial statements understand how the principles have been applied. The Boards of Directors of the College is responsible to the Board of the University which is the sole 'member' of the corporation. The committees of the Board of Governors of the University act as committees for the Boards of Directors of the College as appropriate.

Summary of the College's Structure of Corporate Governance

The College's Board comprises of directors appointed in accordance with the Articles of Government. The roles of the Chair and Deputy Chair of the Board are separated from the role of the Principal (as Chief Executive). Those matters specifically reserved to the Board for decision are set out in the Articles of Government of the College. The Board holds to itself the responsibilities for the ongoing strategic direction of the College, the effective and efficient use of resources and the approval of major developments and receives regular reports from senior management.

The Board meets four times a year and is represented at the University of South Wales Group Committees (Finance and Resources, Human Resources and Audit). In addition, a Nominations and Governance Committee makes recommendations to the Board on membership and Senior Staff Pay Committee on the remuneration of senior management.

The Finance and Resources Committee considers and advises the Board on long term financial strategies, recommends to the Board annual revenue and capital budgets and longer term forecasts, reviews and recommend to the Board on the annual financial statements and receives regular reports on financial performance and financial position and monitor these reports against budget. In addition the Finance & Resources Committee approves the Financial Regulations including any financial policies therein (formally at three-year intervals or when significant changes are made), monitors borrowing levels and requirements, liquidity and the investment of surplus funds in line with that Policy, and approves or recommends expenditure proposals, contracts and grant applications in line with the Financial Regulations.

In the opinion of the directors, the College complies with all of the provisions of the UK Corporate Governance Code 2018, in so far as they apply to the further and higher education sectors, and it has complied throughout the year ended 31 July 2021 and up to the date of signing the annual report and financial statements.

The College reviews, at least annually, the effectiveness of the internal control system.

Directors' indemnities

The company purchased and maintained throughout the financial year directors' and officers' liability insurance.

This was also in force at the date of approval of the annual report and financial statements.

Dividends

The company is limited by guarantee. The directors do not recommend the payment of a dividend in respect of the year ended 31 July 2021 (2020 – nil)

Merthyr Tydfil College Limited

Directors' report (incorporating Strategic report) for the year ended 31 July 2021 (continued)

Statement of regularity, propriety and compliance

The Governing Body has considered its responsibility to notify the Welsh Government of material irregularity and non-compliance with the terms and conditions of funding under the financial memorandum and contracts in place between the College and Welsh Government. As part of our consideration we have had due regard to the requirements of the financial memorandum and contracts with the Welsh Government.

We confirm on behalf of the Governing Body, that after due enquiry, and to the best of our knowledge, we are able to identify and material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the college's financial memorandum and contracts with the Welsh Government, or any other public funder.

Signed

L. Thana

Accounting Officer

Date 29/11/21

Signed

Chin Sutton

Chair of Governors

Date 30/11/21

Directors and their interests

The existing directors and those who held office during the year and up to the date of signing the annual report and financial statements, are given below:

Mr C Sutton	Appointed 1 August 2019	Chairperson
Prof. J E Lydon	Appointed 6 April 2010/Resigned 31 August 2021 (ex officio)	
Dr Ben Calvert	Appointed 1 September 2021	
Mr G Morgan*	Appointed 19 March 2013	
Mrs K Burns	Appointed 7 May 2014	
Mr Simon Argent	Appointed 10 May 2021	
Mrs Lisa Thomas	Appointed 21 September 2018 (ex officio)	
Miss Hollie Morgan	Appointed 11 January 2021	
Mr K Hamblin	Appointed 1 August 2019	
Dr Gwawr Taylor (nee Jones)	Appointed 17 October 2018	Company Secretary

*non-executive directors

No payments have been made to or on behalf of the above with the exception of Mrs Lisa Thomas (Principal / Chief Executive / Accounting Officer) whose remuneration is disclosed in Note 4.

Employees

Applications for employment by disabled persons are always fully considered, taking into account the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Merthyr Tydfil College Limited

Directors' report (incorporating Strategic report) for the year ended 31 July 2021 (continued)

Consultation with employees or their representatives has been undertaken, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. The company is a member of the University of South Wales Equalities Forum, and its sub-groups. Communication with all employees is undertaken through termly staff meetings, and e-mails as required.

Provision of information to auditors

In the case of each director in office at the date the directors' report is approved, the following applies:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he/she has taken all the steps that ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



Company secretary

Dr Gwawr Taylor

Registered Office

Merthyr Tydfil College

Ynsfach

Merthyr Tydfil

CF48 1A

Statement of responsibilities of the Board of Directors

The Board of Directors are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum between the Welsh Government and the Board of Directors of the College, the Board, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, the Accounts Direction for Further Education Colleges in Wales and the UK's Generally Accepted Accounting Principles, and which give a true and fair view of the state of affairs of the College and its surplus/deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Assess whether the college is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report)
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation

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

The Board 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 relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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.

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

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

Approved by order of the Board of Directors on 30 November 2021 and signed on its behalf by:



Mr C Sutton

Merthyr Tydfil College Limited

Chair

Public Benefit Statement for the year ended 31 July 2021

Merthyr Tydfil College Limited is a registered charity. The registered address is Merthyr Tydfil College, (University of South Wales), Treforest, Pontypridd, CF37 1DL and the registered number is 1140289. The members of the Board are directors for the purposes of the Companies Act 2006 and also are the trustees of the Charity and as such have due regard to the Charity Commission's guidance on public benefit and its supplementary guidance on the advancement of education for the public benefit.

Charitable Objectives

The College promotes the advancement of education and learning for the public benefit. It also provides, maintains and improves performance facilities for the benefit of the local community.

The College is well aware of its public benefit responsibility and, therefore, ensures this is embedded in all of its operations to offer fully inclusive services.

Fulfilment of the charitable objectives

Beneficiaries

The College has a student population of approximately 3,450 learners through different modes of study, 2,700 full time and 750 part time. The primary beneficiaries are students of the College directly engaged in high-quality training in a range of disciplines. However, beneficiaries extend to pre-College students (from the age of fourteen upwards) in addition to local employers and businesses.

Admissions policy

The College operates a flexible admissions policy and provides for individual needs in the design of learning programmes. For some programmes there are specific entry requirements which are reviewed annually and published in the College prospectus.

Bursaries/scholarships

Students enrolled at the College are entitled to apply for various support and funding in the same way as anyone studying in further or higher education in Wales. These are funded by the College.

Students studying further education courses at the College are eligible to apply for various means of support. The Education Maintenance Allowance is available to students aged 16 to 19 years with the Assembly Learning Grant available to students aged 19+. The Bursary grant is an alternative means of support which is funded through the Colleges' Access funds.

In addition to the above the College also administers other initiatives that students can access. Subsidised childcare facilities, free meals and transport allowances are available along with financial support for educational visits and study aids.

Higher education students have access to alternative methods of support. The Assembly Learning Grant or the Higher Education Fee Waiver can be applied for depending on individual circumstances. There are also funds available for HE students in financial hardship. The College provides student support and guidance on the application process.

Widening Participation

The College provides a wide range of programmes for learners from the age of 14 years. Many learners are able to access grant support as a means of tackling social exclusion. In terms of community provision, the College offers a wide range of accredited programmes that are delivered through partnership working with the local county borough council. Likewise, many family learning programmes are offered in community venues on an annual basis.

Community Engagement

The College offers other facilities which are accessible to students, staff and members of the community. A large sports hall is available for hire along with various sporting equipment. The College facilities are charged at subsidised rates to ensure their accessibility to all.

Public Benefit Statement for the year ended 31 July 2021 (continued)

Equality

College staff are an equally diverse body of people with different perspectives, values and attitudes. The College seeks to promote an inclusive environment where such differences are shared and valued, and where any unfair treatment or discrimination is challenged and eliminated.

The University of South Wales Group Strategic Equality Plan 2020-24 sets out our response to the requirements of the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011. This plan presents a clear commitment to not only comply with equality legislation, but also to ensure that all those who work or study at the College are treated with respect and that diverse needs are taken into consideration and responded to. This commitment to equality and diversity is even more important during this current climate of economic uncertainty and substantial change to the education sector. This is a time when it is essential to ensure that steps to ensure equality of opportunity in education and work are put in place and actions are prioritised where they are most needed.

In the case of each director in office at the date the directors' report is approved, the following applies;

- (a) so far as the trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a trustee in order to make himself aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MERTHYR TYDFIL COLLEGE

Opinion

We have audited the financial statements of Merthyr Tydfil College Limited ("the College") for the year ended 31 July 2021 which comprise the Income and Expenditure Account, Statement of Changes in Reserves, Balance Sheet, Cashflow Statement and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2021 and of its surplus for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the College in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the College or to cease their operations, and as they have concluded that the College's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the College's business model and analysed how those risks might affect the College's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the College will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and the Audit Committee as to the College's high-level policies and procedures to prevent and detect fraud and the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board of Directors and Audit Committee meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MERTHYR TYDFIL COLLEGE
(continued)**

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from tuition fee and education contract income and other funding grants is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the College-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included revenue journal made to unrelated accounts and unusual journal entries in relation to cash and borrowings.
- Inspecting cash receipts in the period prior to and following 31 July 2021 to verify tuition fee and other operating income had been recognised in the correct accounting period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the management (as required by auditing standards), and discussed with management the policies and procedures regarding compliance with laws and regulations.

As the College is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The College is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions legislation, taxation legislation and specific disclosures required by further education related legislation, including the Accounts Direction for Further Education Colleges in Wales issued by Welsh Government and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the College is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information, which comprises the strategic report, directors' report, public benefit statement, the statement of governance and internal control and the statement of regularity, propriety and compliance. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MERTHYR TYDFIL COLLEGE
(continued)**

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report, directors' report, public benefit statement, the statement of governance and internal control and, statement of regularity, propriety and compliance for the financial year is consistent with the financial statements; and
- in our opinion the strategic report and directors' report have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the College, or returns adequate for our audit have not been received from branches not visited by us; or
- the College financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page [X], the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College'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 they either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Further Education Audit Code of Practice 2015 (effective 1 August 2014) issued by the Welsh Government under the Learning and Skills Act 2000.

In our opinion, in all material respects:

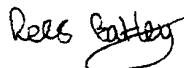
- monies expended out of Welsh Government grants and other funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation;
- income has been applied in accordance with the Financial Memorandum between the Welsh Government and further education institutions; and
- the financial statements meet the requirements of the Accounts Direction for Further Education Colleges in Wales 2020/21 issued by Welsh Government.

Merthyr Tydfil College Limited

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MERTHYR TYDFIL COLLEGE
(continued)**

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the College's member, 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 College's member 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 College and its member for our audit work, for this report, or for the opinions we have formed.



Rees Batley (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

3 Assembly Square

Britannia Quay

Cardiff

CF10 4AX

30th November 2021

Merthyr Tydfil College Limited

Company Registration No. 6671721

Income and Expenditure account for the year ended 31 July 2021

	Note	2021	2020
		£'000	£'000
Income			
Funding body grants	2	13,680	11,901
Tuition fees and education contracts	1	1,283	1,304
Other income	3	1,267	1,061
Investment Income		15	35
Total income		16,245	14,301
Expenditure			
Staff costs	4	10,305	9,804
Other operating expenses		3,618	2,928
Depreciation and Amortisation	8 + 9	1,242	1,117
Interest and other finance costs	6	119	162
Total expenditure		15,284	14,011
Gain on Disposal of Asset		30	4
Surplus for the year		992	294
Actuarial gain/(loss) in respect of pension schemes	16	540	(592)
Total comprehensive income/(expense)		1,532	(298)

The accompanying notes on pages 21 to 35 are an integral part of the Financial Statements.

Merthyr Tydfil College Limited

Statement of Changes in Reserves for the year ended 31 July 2021

	£'000 P&L and Pension	£'000 Other	£'000 Total Reserve
Balance at 1 August 2020	(2,946)	2,168	(778)
Surplus for the year	992	-	992
Other comprehensive income	540	-	540
Total comprehensive income for the year	1,532	-	1,532
Balance at 31 July 2021	(1,414)	2,168	754

The company is limited by guarantee and comprises one member.

The accompanying notes on pages 21 to 35 are an integral part of the Financial Statements.

Merthyr Tydfil College Limited

Company Registration No. 6671721

Balance sheet as at 31 July 2021

	Note	2021	2020
		£'000	£'000
Non-current assets			
Intangible assets	8	83	70
Fixed assets	9	28,159	28,214
Current assets			
Stock		10	15
Trade and other receivables	10	606	640
Investments		5,841	2,359
Cash and cash equivalents		5,608	5,460
		12,065	8,474
Creditors: amounts falling due within one year	11	(5,470)	(3,850)
Net current assets		6,595	4,624
Total assets less current liabilities		34,837	32,908
Creditors: amounts falling due after more than one year	12	(24,507)	(24,396)
Provisions			
Pension provisions	13	(9,576)	(9,290)
Total net assets/(liabilities)		754	(778)
Unrestricted Reserves		754	(778)
Total Reserves		754	(778)

The accompanying notes on pages 14 to 31 are an integral part of the Financial Statements and were approved by the Board of Directors on 29th November 2021 and were signed on its behalf by:



Mr C Sutton
Chair

Merthyr Tydfil College Limited

Cashflow Statement for the year ended 31 July 2021

	2021 £'000	2020 £'000
Cash flow from operating activities-		
Surplus for the year	992	294
Adjustment for non-cash items		
Depreciation	1,210	1,094
Amortisation of intangibles	32	22
Decrease in stock	5	(2)
Decrease in debtors	35	1,083
Increase in creditors	1,442	706
LGPS pension costs less contributions payable	826	585
Investment income	(15)	(35)
Profit on the sale of fixed assets	(30)	5
Capital grant income	(874)	(777)
Net cash inflow from operating activities	3,623	2,975
Cash flows from investing activities		
Transfers from cash to investments	(3,482)	(56)
Proceeds from sale of fixed assets	30	(5)
Capital grants receipts	1,163	-
Investment income	15	35
Payments made to acquire fixed assets	(1,154)	(577)
Payments made to acquire intangible assets	(46)	(50)
Net cash outflow from investing activities	(3,474)	(653)
Cash and cash equivalents at beginning of the year	5,460	3,138
Analysis of Cash and cash equivalents at end of the year		
Short term deposits	42	8
Cash at bank and cash in hand	5,567	5,452
Total	5,609	5,460

The accompanying notes on pages 21 to 35 are an integral part of the Financial Statements

Merthyr Tydfil College Limited

Accounting policies

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 and in accordance with the Financial Reporting Standards (FRS 102). The College is a public benefit entity and therefore has applied the relevant public benefit requirement. The financial statements are in accordance with the historical cost convention.

The financial statements have been prepared adopting the going concern basis, assessing the College's expected future cash flows to ensure that the College has adequate resources to continue in operational existence for a minimum of 12 months from the date of the signing of the financial statements.

Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. The College has net liabilities which include a substantial long term pension deficit (see note 16 to the financial statements). In assessing whether the going concern basis is appropriate the Directors have considered the College's expected future cash flows and are satisfied that the College has adequate resources to continue in operational existence for a minimum of 12 months from the date of the signing of the financial statements. The College's assessment has included reforecasts and stress testing in response to the Coronavirus pandemic which have indicated that the College has capacity to absorb the short and medium term financial impact of potential scenarios caused by the outbreak. In conjunction with the management at the University of South Wales, the Directors will continue to assess the options available to manage the pension deficit in order to ensure the College's long term sustainability. The directors therefore continue to adopt the going concern basis in preparing the annual financial statements.

Recognition of income

Funding body grants are accounted for in the year to which they relate.

Tuition fee income is stated gross and credited to the income and expenditure account over the period in which students are studying.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Investment income is credited to the income and expenditure account on a receivable basis.

Pension schemes

Retirement benefits for employees of the Company are provided by the Teachers' Pensions Scheme Agency (TPS) and the Rhondda Cynon Taff Pension Fund (RCTPF), a Local Government Pension Scheme (LGPS). RCTPF is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme.

It is not possible to identify each institution's share of the underlying assets and liabilities in relation to the TPS and hence, contributions to the scheme are accounted for as if this was a defined contribution scheme, the cost recognised within the profit and loss account being equal to the contributions payable to the scheme for the period.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency

Merthyr Tydfil College Limited

Accounting policies (continued)

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

Early Retirement Provision

The Company maintains a provision to meet pension costs arising from the additional years of service granted to certain staff taking early retirement.

Provisions are established and the associated costs are charged to the income and expenditure account when the College has a legal or constructive obligation. The provision relates to enhanced teachers' unfunded pension arrangements established by the College. These are termination benefits made on a discretionary basis upon early retirement, in respect of the Teachers' Pension Scheme.

Employment Benefits

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

Operating Leases

Rentals paid under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Surplus or Deficit.

Intangible assets

Intangible assets which comprise software are amortised over 4 years representing the estimated economic life of the asset. Each year the assets are reviewed for indicators of impairment and where identified full impairment review is carried out and reflected in the financial accounts.

Tangible Fixed Assets

Tangible fixed assets are recorded at purchase cost, including non-recoverable VAT, incidental costs of acquisition, less accumulated depreciation and accumulated impairment losses. Each year the assets are reviewed for indicators of impairment and where identified full impairment review is carried out and reflected in the financial accounts

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset, evenly over its expected useful life, as stated below.

The principal rates used for this purpose are:

Buildings	- up to 50 years straight line
Fixtures and fittings	- between 3-25 years straight line
Plant and machinery	- between 3-40 years straight line

Land is not depreciated.

Merthyr Tydfil College Limited

Accounting policies (continued)

Assets under construction represent the cost of purchasing, constructing and installing tangible fixed assets ahead of their productive use. No depreciation is charged on assets under construction until they are transferred to the appropriate asset heading when they are brought into use.

Land and buildings

The freehold interest in land and buildings is included in the balance sheet at cost. Land and buildings acquired; buildings constructed or building refurbishments undertaken during the year, are included at cost less depreciation.

Finance costs directly attributable to the construction of fixed assets are capitalised as part of the cost of those assets.

Assets Financed by Capital Grant or Donations

Where fixed assets are acquired with the aid of specific grants and donations, they are capitalised and depreciated as above. The related grants or donations are credited to deferred capital grants and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of a change in value.

Reserves

The college is aware of the need to secure its viability beyond the immediate future. The college recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support its core activities and to invest for its future needs. The reserves which the college retains can be categorised as follows:

Capital Reserves – To provide funds to meet the current and future capital spend requirements.

Strategic Reserve – To meet the cost requirements of strategic initiatives as per the college strategic plan

It is the colleges intention to continue to increase reserves through the generation of annual operating surpluses

Stock

Stocks are valued at the lower of cost and net realisable value.

Provisions

Provisions are recognised in the financial statements when :

- (a) The College has a present obligation (legal or constructive) as a result of a past event;
- (b) It is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) A reliable estimate can be made of the amount of the obligation.

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

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Use of estimates and judgements

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Merthyr Tydfil College Limited

Accounting policies (continued)

Pension

The College participates in two defined benefit pension schemes, the Teachers' Superannuation Scheme (TSS) and The Rhondda Cynon Taf County Borough Council Pension Fund (RCTPF). The assumptions made are detailed within Note 16. There have been two court cases that effect the LGPS defined benefit scheme. They relate to the guaranteed minimum pensions equalisation (GMPs) and age discrimination (McCloud). The impact of these cases are still uncertain, but following actuarial advice, a provision has been included as part of the assumptions on Note 16.

Merthyr Tydfil College Limited

Notes to the financial statements for the year ended 31 July 2021

1. Tuition fees and education contracts

	2021	2020
	£'000	£'000
Full-time home and EU students	1,154	1,133
Part-time students	129	171
	1,283	1,304

2. Funding body grants

	2021	2020
	£'000	£'000
Government Recurrent grant	12,550	10,744
Specific Government grants	256	380
Release of capital grants	874	777
	13,680	11,901

3. Other Income

	2021	2020
	£'000	£'000
European Projects	558	376
Nursery	357	380
Miscellaneous	352	305
	1,267	1,061

4. Staff costs

	2021	2020
	£'000	£'000
Salaries	7,389	7,216
Social security costs	709	688
Other pension costs	2,207	1,900
	10,305	9,804

	2021	2020
	£'000	£'000
Emoluments of the Principal / Accounting Officer		
Salary	108	101
Pensions	26	24
	134	125

Other than the Principal there are no other remunerated directors.

Merthyr Tydfil College Limited

Notes to the financial statements for the year ended 31 July 2020 (continued)

Remuneration of the Principal expressed as:

	2021	2020
Basic salary as a multiple of the median basic salary of all staff	4.75	4.63
Total remuneration as a ratio of the total remuneration to all staff (All full time and part time staff but excluding agency workers)	5.04	4.92

The College Board in agreeing the Principal's remuneration considers a range of information which includes benchmarking to other Welsh institutions, UK institutions, institutions of a comparable size and institutions with similar missions. The Board is also cognisant of wider institutional financial and academic performance, specifically annual reports of CPIs. The Senior Staff Pay Committee is also informed by the Vice Chancellor of their appraisal of individual performance as it relates to institutional performance. The Principal is the highest paid member of staff.

Remuneration of higher paid staff, excluding employer's pension contributions

	2021 Number	2020 Number
£65,000 - £69,999	-	1
£70,000 - £74,999	1	-
£75,000 - £79,999	1	-
£100,000 - £104,999	-	1*
£105,000 - £109,999	1	-

Higher paid employees are the Principal, Vice Principal (Academic) and the Vice Principal (Resources). There were no higher paid staff falling below £65,000.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are all included in the above analysis. These comprise the Principal*, Vice Principal Academic (£75,000-£79,999) and the Vice Principal Resources (£70,000-£74,999). Vice Principal salaries are on a fixed point and are reflective of their position and responsibilities.

	2021 £'000	2020 £'000
Key management personnel compensation		
Salary and NI	287	114
Pension Contributions	55	24
	342	138

Atypical Staff	2021 £'000	2020 £'000
Agency Staff	32	31

Retirement benefits are accruing to 94 employees under a defined benefit scheme. (Retirement benefits for 2020 were also accruing for 94 employees).

Notes to the financial statements for the year ended 31 July 2021 (continued)

The monthly average number of employees by headcount (including senior post-holders) by major category during the year was as follows:

	2021	2020
	Number	Number
Academic	172	183
Management & specialist	26	26
Technical	6	5
Other	51	48
	255	262

The monthly average number of employees by FTE (including senior post-holders) by major category during the year was as follows:

	2021	2020
	Number	Number
Academic	145	156
Management & specialist	21	20
Technical	5	4
Other	42	39
	213	219

5. Directors expenses and related party transactions

No expenses were paid to directors during the year 2021 (2020 – nil). No Director or other person related to the College had any personal interest in any contract or transaction entered into by the College during the year.

6. Interest and other finance costs

	2021	2020
	£'000	£'000
Net charge on pension scheme	119	162

Notes to the financial statements for the year ended 31 July 2021 (continued)

7. Analysis of expenditure by activity

	2021	2020
	£'000	£'000
Academic and related expenditure	7,945	7,751
Administration and central services	2,484	1,888
Premises (including service concession costs)	2,241	2,057
Residences, catering and conferences	140	83
Other expenses	2,474	2,232
	15,284	14,011
Other operating expenses included:		
External auditor's remuneration in respect of audit services	21	20
External auditor's remuneration in respect of non-audit services	8	5
Operating Lease rentals		
<i>Land & Buildings</i>	112	110
<i>Other</i>	3	3

8. Intangible assets

	2021	2020
	£'000	£'000
Software		
Cost		
Opening balance	220	171
Additions in year	46	49
Closing balance	266	220
Accumulated Amortisation		
Opening balance	150	127
Additions in year	33	23
Closing balance	183	150
Net book value	83	70

Merthyr Tydfil College Limited

Notes to the financial statements for the year ended 31 July 2021 (continued)

9. Fixed assets

	Freehold Land and Buildings	Fixtures Fittings & Equipment	Assets under Construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 August 2020	31,319	2,575	22	33,916
Additions	-	1,154	-	1,154
Transfers	-	22	(22)	-
Disposals	-	(30)	-	(30)
At 31 July 2021	31,319	3,721	-	35,040
Accumulated depreciation				
At 1 August 2020	4,577	1,125	-	5,702
Charge for the year	593	616	-	1,209
Disposals	-	(30)	-	(30)
At 31 July 2021	5,170	1,711	-	6,881
Net book value				
At 31 July 2021	26,149	2,010	-	28,159
At 31 July 2020	26,742	1,472	-	28,214

10. Trade and other receivables

	2021	2020
	£'000	£'000
Trade receivables	97	93
Other receivables	300	238
Prepayments and accrued income	202	229
Amounts owed by group undertakings	7	80
	606	640

Amounts due from group undertakings are unsecured, free from interest and payable on demand.

Merthyr Tydfil College Limited

Notes to the financial statements for the year ended 31 July 2021 (continued)

11. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade payables	84	53
Amounts owed to group undertakings	49	389
Deferred Government Capital Grant	935	756
Social security and other taxation payables	513	500
Accruals and deferred income	3,889	2,152
	5,470	3,850

Amounts due to group undertakings are unsecured, free from interest and payable on demand.

12. Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Deferred Government Capital Grant	24,507	24,396

13. Provisions

Pension Provisions

	Pension enhancement on termination £'000	Defined Benefit obligation (see Note 20) £'000	Total £'000
Cost			
At 1 August 2020	727	8,563	9,290
Utilised in year	(21)	356	335
Additional provision	-	(49)	(49)
At 31 July 2021	706	8,870	9,576

1. Notes to the financial statements for the year ended 31 July 2020 (continued)

14. Lease obligations

Total rentals payable under operating leases:

	Land and Buildings £'000	Plant and Machinery £'000	2021 Total £'000	2020 Total £'000
Payable during the year	112	3	115	113
Future minimum lease payments due:				
Not later than 1 year	112	3	115	115
Later than 1 year and not less than 5 years	231	7	238	238
Later than 5 years	-	-	-	-
Total lease payments due	343	10	353	353

15. Related party transactions

The College is a wholly-owned subsidiary of the University of South Wales, and is included in the consolidated financial statements of the University of South Wales, which are publicly available from University of South Wales, Pontypridd, Rhondda Cynon Taf, CF329 1DL. The College is exempt under the terms of FRS 102 from disclosing related party transactions with entities that are part of the University of South Wales.

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

Other than those disclosed elsewhere in the financial statements, no transactions were identified which would be disclosed under FRS102 Related Party Disclosures.

Notes to the financial statements for the year ended 31 July 2021 (continued)

16. Pensions

The Company participates in two pension schemes, the Rhondda Cynon Taf Pension Fund (RCTPF) for non-academic staff, and the Teachers' Pension Scheme (TPS) for academic staff. The assumptions made are detailed within this note. There have been two court cases that effect the LGPS defined benefit scheme. They relate to the guaranteed minimum pensions equalisation (GMPs) and age discrimination (McCloud). The impact of these cases are still uncertain, but following actuarial advice, a provision has been included as part of the assumptions in this note.

Teacher's Pension Scheme

The Teachers' Pension Scheme is a contributory "sector-wide" scheme for academic staff administered by the Teachers' Pension Agency on behalf of the Department for Education and Skills. The scheme, which does not have a fund but instead operates on a 'pay-as-you-go' basis, is subject to actuarial valuation every five years for the purpose of determining the "sector-wide" contribution rates. The latest actuarial valuation of the scheme was as at 31 March 2016. The cost of pension increases is currently excluded from the valuation and neither employees nor employers contribute to this added value to the employee, which is met directly by the Exchequer. The contribution rate during the year was 23.68%. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the Income and Expenditure account of £1,010k, (2020: £1,001k) is equal to the contributions payable to the scheme for the year.

Rhondda Cynon Taff County Borough Council Pension Fund

Funding Valuation

This scheme provides benefits for non-academic staff based on final pensionable salary. The scheme is valued every three years as required under Regulation 77(1) of the Local Government Pension Scheme Regulations 1997 (SI 1997 No. 1612). The latest valuation was undertaken by independent consulting actuaries as at 31 March 2018. Under the definitions set out in FRS 102, the Local Government Pension Scheme is a multi employer defined benefit pension scheme. In the case of the LGSS, the actuary of the scheme has identified the Institution's share of its assets and liabilities as at 31 July 2021. In response to the ongoing reform of RPI the actuary have changed their approach to setting the CPI assumption: an increase in the Inflation Risk Premium and a reduction in the long-term difference between RPI and CPI. The combined impact of this change is a circa £2.2m increase to the defined benefit obligation at 31 July 2021.

The College employs a building block approach in determining the rate of return on Fund Assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as at 31 July 2021.

FRS102

In accordance with the requirements of Financial Reporting Standard 102, the independent consulting actuaries updated the results of the March 2018 actuarial valuation in order to ascertain the valuation of the "sub-funds" in the scheme at 31 July 2021.

The principal assumptions used by the actuary in this respect were:-

	2021	2020	2019
	%	%	%
Discount rate / interest income on assets	1.65	1.45	2.25
General increases in pensionable salaries	3.90	3.20	3.25
CPI pension increases	2.90	2.20	2.25

Notes to the financial statements for the year ended 31 July 2021 (continued)

The current mortality assumptions include an allowance for future improvements in mortality rates. Assumed life expectations on retirement today and at age 65 are:-

	2021 Number	2020 Number
Retiring Today:		
Males	21.3	21.0
Females	23.7	23.5
Retiring in 20 years:		
Males	21.8	21.8
Females	24.9	24.4

The assets in the scheme are valued at fair value and comprise:

	2021 £'000	2020 £'000
Equities	12,641	9,745
Government bonds	2,150	1,466
Corporate bonds	2,161	2,055
Property	1,127	1,006
Cash	34	101
	18,113	14,373

Analysis of amounts shown in the balance sheet

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Estimated share of assets	18,113	14,373	13,022	12,042	10,585
Present value of scheme liabilities	(26,982)	(22,936)	(20,418)	(17,696)	(16,952)
Deficit in the scheme – net pension liabilities	(8,869)	(8,563)	(7,396)	(5,654)	(6,367)

Analysis of the amount charged to staff costs within the operating surplus

	2021 £'000	2020 £'000
Current service cost	1,072	816
Past service cost	-	-
	1,072	816

Analysis of the amount charged to interest payable and similar charges

	2021 £'000	2020 £'000
Interest income on assets	(209)	(294)
Interest on pension scheme liabilities	328	456

Merthyr Tydfil College Limited

Net charge 119 162

Notes to the financial statements for the year ended 31 July 2020 (continued)

Analysis of amount recognised in other comprehensive income

	2021 £'000	2020 £'000
Actuarial gain on assets	3,405	919
Changes in assumptions underlying the present value of scheme liabilities	749	(298)
Experience loss on liabilities	(3,614)	(1,213)
Actuarial gain/(loss) recognised in other comprehensive income	540	(592)

Movement in deficit during the year

	2021 £'000	2020 £'000
1 August	(8,563)	(7,396)
Current service cost	(1,072)	(816)
Contributions	355	414
Admin	(11)	(11)
Past service costs	-	-
Other finance charge	(119)	(162)
Actuarial (loss)/gain	540	(592)
31 July	(8,869)	(8,563)

Analysis of the movement in the present value of scheme liabilities

	2021 £'000	2020 £'000
Opening present value of liabilities	22,935	20,418
Current service cost	1,072	816
Past service cost	-	-
Interest cost	328	456
Contributions by participants	138	133
Actuarial loss on liabilities	2,865	1,511
Net benefits paid	(356)	(399)
Closing present value of liabilities	26,982	22,935

Analysis of the movement in the market value of scheme assets

	2021 £'000	2020 £'000
Opening fair value of assets	14,373	13,022
Interest income on assets	209	295
Actuarial gain on assets	3,404	919
Contributions by the Employer	355	414
Contributions by the participants	138	133
Net benefits paid out	(356)	(399)
Administration expenses	(11)	(11)
Closing fair value of assets	18,112	14,373

Notes to the financial statements for the year ended 31 July 2021 (continued)

History of experience gains and losses

	2021	2020	2019	2018	2017
	£'000	£'000	£'000	£'000	£'000
Actuarial gain on assets	3,405	919	560	860	730
Changes in assumptions underlying the present value of scheme liabilities	749	(298)	(1,716)	1,552	(130)
Experience (losses)/gains on liabilities	(3,614)	(1,213)	(8)	(1,155)	(977)
Total amount recognised in the other comprehensive income	540	(592)	(1,164)	1,257	(377)

17. Ultimate parent undertaking

The ultimate parent undertaking and controlling party is the University of South Wales, a Higher Education Corporation established under the Education Reform Act 1988. The results of the Company have been incorporated in the University of South Wales' consolidated financial statements, which forms the largest and smallest group for which the Company's financial statements are consolidated, copies of which are obtainable from the following address:

University of South Wales
Pontypridd
Rhondda Cynon Taff.
CF37 1DL