

Merthyr Tydfil College Limited

Coleg Merthyr Tudful Cyfyngedig

Annual Report and

Financial Statements for the year ended

31 July 2017

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Merthyr Tydfil College Limited

Annual Report and Financial Statements for the year ended 31 July 2017

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Directors' report (incorporating the Strategic report) for the year ended 31 July 2017

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 2017. 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 2015 and in accordance with applicable accounting standards.

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 has agreed an updated five-year strategic plan which articulates how the college will develop. By 2017-18 the College will be in the fourth full year of operation as a tertiary college where all post 16 learners from Merthyr Tydfil attend the college taking a mix of academic and vocational qualifications. The college's strategic priorities are to:

- Enhance our reputation amongst learners, parents, teachers, employers and communities
- Deliver an outstanding learning experience and raise levels of achievement, success and progression
- Be recognised as a dynamic and sustainable college
- Engage positively with learners, parents, teachers, employers and communities.

Financial risk management

The college is committed to exhibiting best practice in all areas of financial risk management and corporate governance, fully adhering to the principles set out in the Governance Code of Practice and General Principles, issued by the Committee of University Chairmen (CUC) to accompany their Guide for Members of Higher Education Governing Bodies, in November 2009.

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 company'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 five 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 2016-17 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 2017-18.

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.

Directors' report (incorporating the Strategic report) for the year ended 31 July 2017 (continued)

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.

Results

The company's surplus for the year ended 31 July 2017 was £194K (2016: £178K).

The college's cash and liquidity positions remained strong throughout the year, with year-end cash balances exceeding target with a consistent 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 the foreseeable future. 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 three key performance indicators (KPIs) are relevant when assessing performance for the year:

- i) Surplus - £194K (2016: £178K)
- ii) Year-end cash position - £3,691K (2016: £2,907)
- iii) Current ratio – 1.76 (2016: 1.21)

Student numbers: Further education recruitment remained strong.

Quality: Estyn undertook an inspection of the college in November 2016 with a grade of adequate for current performance and good for prospects for improvement. The college also received good reports from its further education students in the 'Learner Voice' and its higher education students in the 'National Student Satisfaction Survey'.

Health & Safety: The college as part of its work based learning consortium received a grade of excellent; the most recent University audit demonstrated a sound approach to the management of health and safety. The college has an action plan to address any shortcomings identified in audit reports.

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 2017 85% 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 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 By ensuring the college is rigorous in delivering high quality education and training;
- o Expansion of higher education under HEFCW's widening access agenda,

Merthyr Tydfil College Limited

- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies; and
- Ensuring the college is focused on those priority sectors which will continue to benefit from public funding.

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 2017 (2016 – nil).

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 Financial Reporting Council in June 2010. Its purpose is to help the reader of the annual report and financial statements understand how the principles have been applied. In the opinion of the governors, the college complies with all of the provisions of the Code, in so far as they apply to the further and higher education sectors, and it has complied throughout the year ended 31 July 2017 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 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:

Mrs H Mansfield *	(Chair)
Mr S H Best*	(Chairman resigned August 2017)
Mrs K N Burns*	
Mr G Chapman *	
Dr J. Graystone*	
Mr A M Jenkins*	
Prof. J E Lydon	
Mrs C. Meade *	
Mr G Morgan*	
Ms R Moxey*	
Mr J T O'Shea	
Mr E Phillips *	
Mr H R Williams	

*non-executive directors

Directors' report (incorporating Strategic report) for the year ended 31 July 2017 (continued)

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.

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.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report (incorporating the strategic report) and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the company financial statements in accordance the Companies Act 2006, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the Accounts Direction issued by the Higher Education Funding Council for Wales and other relevant Accounting Standards (United Kingdom General Accounting Practice). In addition, within the terms and conditions of the Financial Memorandum agreed between the company and the University (Financial Memorandum), the directors are required to prepare the annual report and financial statements for each accounting period which give a true and fair view of the state of affairs of the company and of the surplus or deficit for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors took reasonable steps to meet their responsibilities in respect of:

- ensuring that funds from Welsh Government were used only for the purpose for which they were given and in accordance with the Financial Memorandum and any other conditions which the Welsh Government may from time to time prescribe;
- ensuring that there were appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguarding the assets of the company and to prevent and detect fraud and other irregularities securing the economical, efficient and effective management of the company's resources and expenditure.

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.

Directors' report (incorporating Strategic report) for the year ended 31 July 2017 (continued)

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.

Independent Auditors

The Independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at a future meeting of the Board.

By order of the board



Company secretary
W D Callaway

20th November 2017

Public Benefit Statement for the year ended 31 July 2017

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 3,200 learners through different modes of study, 2,200 full time and 1,000 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.

New Building

In September 2013, the College relocated from its building which was opened in 1955, to a brand new purpose built College. The new College was funded by a 100% grant from the Welsh Government and cost £33 million. This building has provided the borough of Merthyr Tydfil and the surrounding areas with a state of the art facility that will benefit learners and the wider community.

Merthyr Tydfil College Limited

Public Benefit Statement for the year ended 31 July 2017 (continued)

Statement of trustees' responsibilities

The trustees (who are also directors of Merthyr Tydfil College Limited for the purposes of company law) are responsible for preparing the Directors' report (incorporating the Strategic Report) and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the charitable company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), the Companies Act 2006, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the Accounts Direction issued by the Higher Education Funding Council for Wales and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the charitable company and the Higher Education Funding Council for Wales and under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of recommended Practice; Accounting for Further and Higher Education Institutions;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees took reasonable steps to meet their responsibilities in respect of;

- keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the Accounts Direction issued by the Higher Education Funding Council for Wales and other relevant accounting standards;
- ensuring that funds from the Higher Education Funding Council for Wales are used only for those purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguarding the assets of the charitable company;
- taking reasonable steps for the prevention and detection of fraud and other irregularities; and
- securing the economical, efficient and effective management of the charitable company's resources and expenditure.

The trustees are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure 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 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.

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Independent auditors' report to the Governing Body of Merthyr Tydfil College Limited (the "Institution")

Report on the financial statements

Our opinion

In our opinion Merthyr Tydfil College Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the institution's affairs as at 31 July 2017, and of the institution's income and expenditure, and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Accounts Direction issued by the Welsh Government.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the institution's Balance Sheet as at 31 July 2017; the Income and Expenditure Account for the year then ended; Statement of Changes in Reserves for the year then ended; the Cashflow Statement for the year then ended; the accounting policies; and the notes to the financial statements, which include other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

- the Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governing Body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the institution's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Independent auditors' report to the Governing Body of Merthyr Tydfil College Limited (the "Institution") - (continued)

Reporting on other information

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

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

With respect to the Directors' Report (incorporating Strategic Report), we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report (incorporating the Strategic Report) for the year ended 31 July 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the institution and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report (incorporating the Strategic Report).

Responsibilities for the financial statements and the audit

Responsibilities of the Governing Body for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities set out on page 9, the Governing body (who are also the directors of the institution for the purposes of company law) is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Governing body is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Merthyr Tydfil College Limited

Independent auditors' report to the Governing Body of Merthyr Tydfil College Limited (the "Institution") - (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the institution's Governing body as a body in accordance with Article 18 of the institution's articles of government and Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

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

In our opinion, in all material respects:

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

Adequacy of accounting records and information and explanations received

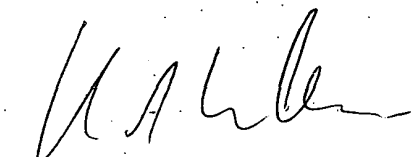
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the institution, or returns adequate for our audit have not been received from branches not visited by us; or
- the institution financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



Kevin Williams (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

28 November 2017

Merthyr Tydfil College Limited

Company Registration No. 6671721

Income and Expenditure account for the year ended 31 July 2017

	Note	2017 £'000	2016 £'000
Income			
Funding body grants	2	10,777	10,950
Tuition fees and education contracts	1	1,691	1,732
Research grants and contracts	3	688	401
Other income		817	716
Investment Income		15	17
Total income		13,988	13,816
Expenditure			
Staff costs	4	8,782	8,650
Staff costs - restructuring	4	163	123
Other operating expenses		2,589	2,601
Amortisation	10	19	15
Depreciation	11	2,102	2,099
Interest and other finance costs	6	139	150
Total expenditure		13,794	13,638
Surplus/(Deficit) for the year		194	178
Actuarial loss in respect of pension schemes		(377)	(960)
Total comprehensive expense for the year		(183)	(782)

All items of income and expenditure relate to continuing activities. There is no material difference between the surplus for the years retained within general reserves stated above and their historical cost equivalent.

Merthyr Tydfil College Limited

Statement of Changes in Reserves for the year ended 31st July 2017

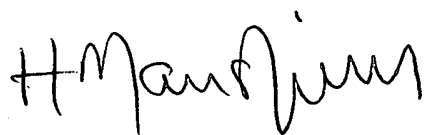
	£'000
Balance at 1 August 2016	(772)
Surplus from the income and expenditure statement	194
Other comprehensive expense	(377)
Total comprehensive expense for the year	(183)
Balance at 31 July 2017	(955)

The company is limited by guarantee and comprises one member.

Merthyr Tydfil College Limited**Company Registration No. 6671721****Balance sheet as at 31 July 2017**

	Not e	2017 £'000	2016 £'000
Non-current assets			
Intangible assets	10	33	48
Fixed assets	11	29,835	31,250
Current assets			
Stock	12	15	12
Trade and other receivables	13	1,762	1,432
Cash at bank and in hand		3,691	2,907
		5,468	4,351
Creditors: amounts falling due within one year	14	(3,155)	(3,598)
Net current assets		2,313	753
Total assets less current liabilities		32,181	32,051
Creditors: amounts falling due after more than one year	15	(25,481)	(26,031)
Provisions			
Pension provisions	16	(7,157)	(6,370)
Other provisions	16	(498)	(422)
Total net (liabilities)		(955)	(772)
Unrestricted Reserves		(955)	(772)
Total Reserves		(955)	(772)

The financial statements on pages 13 to 29 were approved by the Board of Directors on 20th November 2017 and were signed on its behalf by:



Mrs H Mansfield
Chair

Cashflow Statement for the year ended 31 July 2017

	2017	2016
	£'000	£'000
Cash flow from operating activities		
Surplus for the year	194	178
Adjustment for non-cash items		
Depreciation	2,102	2,099
Amortisation of intangibles	19	15
Increase in stock	(3)	(3)
(Increase)/decrease in debtors	(328)	615
Decrease in creditors	(995)	(2,642)
Increase in pension provision	786	1,330
Actuarial (loss) / gain in respect of pension schemes	(377)	(960)
Increase in other provisions	77	95
Adjustment for investing or financing activities		
Investment income	(15)	(17)
Interest payable	0	0
Endowment income	0	0
Profit on the sale of fixed assets	0	0
Capital grant income	(1,977)	(1,979)
Net cash outflow from operating activities	(517)	(1,269)
Cash flows from investing activities		
Capital grants receipts	1,977	1,979
Investment income	15	17
Payments made to acquire fixed assets	(687)	(206)
Payments made to acquire intangible assets	(4)	(36)
Net cash inflow from investing activities	1,301	1,754
Increase / (decrease) in cash and cash equivalents in the year	784	485
Cash and cash equivalents at beginning of the year	2,907	2,422
Cash and cash equivalents at end of the year	3,691	2,907

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 2015 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.

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 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.

Merthyr Tydfil College Limited

Accounting policies (continued)

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 remaining estimated economic life of the asset.

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.

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

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.

Stock

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

Merthyr Tydfil College Limited

Accounting policies (continued)

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.

Merthyr Tydfil College Limited

Notes to the financial statements for the year ended 31 July 2017

1. Tuition fees and education contracts

	2017 £'000	2016 £'000
Full-time home and EU students	1,423	1,542
Part-time students	268	190
	1,691	1,732

2. Funding body grants

	2017 £'000	2016 £'000
Recurrent grant	8,096	7,982
Specific grants	705	989
Capital Grant	1,976	1,979
	10,777	10,950

3. Research grants and contracts

	2017 £'000	2016 £'000
Government (UK and overseas)	688	401

4. Staff costs

	2017 £'000	2016 £'000
Salaries	6,770	6,861
Social security costs	704	581
Other pension costs	1,308	1,208
	8,782	8,650
Restructuring costs	163	123

	2017 £'000	2016 £'000
Emoluments of the Principal		
Salary	101	100
Pensions	15	12
	116	112

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 2017 (continued)

Remuneration of other Higher Paid Staff, excluding employer's pension contributions (excluding loss of office):

	2017	2016
	Number	Number
£50,000 - £59,999	-	4
£60,000 - £69,999	2	-
£70,000 - £79,999	1	1
£80,000 - £89,999	-	-
£90,000 - £99,999	-	1
£100,000 - £109,999	1	-

Retirement benefits are accruing to 103 employees under a defined benefit scheme.

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

	2017	2016
	Number	Number
Academic	153	161
Management & specialist	17	15
Technical	5	10
Other	39	26
	214	212

5. Directors expenses and related party transactions

No expenses were paid to directors during the year (2016 – 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

	2017	2016
	£'000	£'000
Net charge on pension scheme	139	150

Merthyr Tydfil College Limited

Notes to the financial statements for the year ended 31 July 2017 (continued)

7. Analysis of expenditure by activity

	2017	2016
	£'000	£'000
Academic and related expenditure	8,033	7,789
Administration and central services	2,038	2,184
Premises (including service concession costs)	2,119	2,341
Residences, catering and conferences	23	5
Other expenses	1,581	1,319
	13,794	13,638

Other operating expenses included:

External auditors remuneration in respect of audit services	10	9
External auditors remuneration in respect of non-audit services	1	9
Operating Lease rentals		
<i>Land & Buildings</i>	103	102
<i>Other</i>	10	30

8. Taxation on the profit for the year

The College is a charity registered with the Charity Commission number 1140289 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478 to 488 of the Corporation Taxes Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA) or Section 256 of the Taxation of Chargeable Gains Act 1992) to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the cost of such inputs.

9. Dividends

No dividends were paid or proposed during the year (2016 - nil).

10. Intangible assets

	2017	2016
	£'000	£'000
Software		
Cost		
Opening balance	106	70
Additions in year	4	36
Closing balance	110	106
Accumulated Amortisation		
Opening balance	58	43
Additions in year	19	15
Closing balance	77	58
Net book value	33	48

Notes to the financial statements for the year ended 31 July 2017 (continued)

11. Fixed assets

	Freehold Land and Buildings £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Total £'000
Cost				
At 1 August 2016	30,945	4,875	2,421	38,241
Additions	2	299	386	687
At 31 July 2017	30,947	5,174	2,807	38,928
Accumulated depreciation				
At 1 August 2016	2,218	3,346	1,427	6,991
Charge for the year	586	1,058	458	2,102
At 31 July 2017	2,804	4,404	1,885	9,093
Net book value				
At 31 July 2017	28,143	770	922	29,835
At 31 July 2016	28,727	1,529	994	31,250

12. Stock

	2017 £'000	2016 £'000
Stock	15	12

13. Trade and other receivables

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade receivables	230	228
Other receivables	309	32
Prepayments and accrued income	190	123
Amounts owed by group undertakings	1,033	1,049
	1,762	1,432

Merthyr Tydfil College Limited

Notes to the financial statements for the year ended 31 July 2017 (continued)

14. Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Amounts falling due within one year:		
Trade payables	218	93
Amounts owed to group undertakings	297	186
Deferred Capital Grant	1,449	1,975
Social security and other taxation payables	160	154
Accruals and deferred income	1,031	1,190
	3,155	3,598

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

	2017	2016
	£'000	£'000
Amounts falling due after more than one year:		
Deferred Capital Grant	25,481	26,031

16. Provisions

Pension Provisions

	Pension enhancement on termination	Defined Benefit obligation	Total
	£'000	£'000	£'000
Cost			
At 1 August 2016	910	5,460	6,370
Utilised in year	(120)	-	(120)
Additions	-	907	907
At 31 July 2017	790	6,367	7,157

Other Provisions

	Legal Disputes	VAT Provision	Holiday Pay	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 August 2016	133	48	241	422
Utilised in year	-	-	-	-
Additions	-	34	42	76
At 31 July 2017	133	82	283	498

Merthyr Tydfil College Limited

Notes to the financial statements for the year ended 31 July 2017 (continued)

17. Reserves

	Other Reserves	Profit and Loss reserve	Pension Reserve	Total
	£'000	£'000	£'000	£'000
At 1 August 2016	2,168	2,520	(5,460)	(772)
Surplus for the year	-	194	-	194
Transfer between reserves	-	530	(530)	-
Actuarial loss on pension scheme	-	-	(377)	(377)
At 31 July 2016	2,168	3,244	(6,387)	(955)

Other reserves arose on incorporation and represent the assets and liabilities transferred from the University of South Wales with the addition of £197k revaluation of Land & Buildings on 1 August 2014.

The company is limited by guarantee and comprises one member.

18. Lease obligations

Total rentals payable under operating leases:

	Land and Buildings £'000	Plant and Machinery £'000	2017 Total £'000	2016 Total £'000
Payable during the year	103	10	113	132
Future minimum lease payments due:				
Not later than 1 year	106	3	109	110
Later than 1 year and not less than 5 years	443	4	447	331
Later than 5 years	236	-	236	462
Total lease payments due	785	7	792	903

19. 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. 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.

Merthyr Tydfil College Limited

Notes to the financial statements for the year ended 31 July 2017 (continued)

20. 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.

TPS

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 2012. 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 16.48%.

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 £620k (2016: £619k) is equal to the contributions payable to the scheme for the year.

RCTPF

The scheme is a defined benefit pension scheme, providing retirement benefits to participants on retirement and benefits to their dependants on death. Pre April 2014 benefits are linked to a final pensionable salary and service at date of retirement (or date of leaving scheme if earlier), post March 2014 benefits accrue on a Career Average Revalued Earnings (CARE) basis.

The scheme is valued every three years, the latest being undertaken by independent consulting actuaries as at 31 March 2016.

Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method.

In accordance with the requirements of Financial Reporting Standard 102, the independent consulting actuaries, Pension Watch Ltd, updated the results of the March 2016 actuarial valuation in order to ascertain the valuation of the "sub-funds" in the scheme at 31 July 2017.

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

	2017	2016	2015
	%	%	%
Discount rate / interest income on assets	2.75	2.60	3.65
General increases in pensionable salaries	3.30	2.75	3.20
CPI pension increases	2.30	1.75	2.20

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

	2017 Number	2016 Number
Retiring Today:		
Males	22.2	23.1
Females	24.1	26.0

Notes to the financial statements for the year ended 31 July 2017 (continued)

	2017 Number	2016 Number
Retiring in 20 years:		
Males	23.9	25.3
Females	25.9	28.4

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

	2017 £000	2016 £000
Equities	7,884	6,676
Government bonds	909	915
Corporate bonds	1,039	1,075
Property	592	566
Cash	161	198
	10,585	9,430

Analysis of amounts shown in the balance sheet

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Estimated share of assets	10,585	9,430	8,260	7,040	5,610
Present value of scheme liabilities	(16,952)	(14,890)	(12,420)	(10,450)	(8,520)
Deficit in the scheme – net pension liabilities	(6,367)	(5,460)	(4,160)	(3,410)	(2,910)

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

	2017 £000	2016 £000
Current service cost	666	500
Past service cost	25	30
	691	530

Analysis of the amount charged to interest payable and similar charges

	2017 £000	2016 £000
Interest income on assets	(247)	(300)
Interest on pension scheme liabilities	386	450
Net charge	139	150

Merthyr Tydfil College Limited

Notes to the financial statements for the year ended 31 July 2017 (continued)

Analysis of amount recognised in income and expenditure account

	2017 £000	2016 £000
Actuarial gain / (loss) on assets	730	720
Changes in assumptions underlying the present value of scheme liabilities	(130)	(650)
Actual return on assets	(977)	(1,030)
Actuarial loss recognised in the income and expenditure account	(377)	(960)

Movement in deficit during the year

	2017 £000	2016 £000
1 August	(5,460)	(4,160)
Current service cost	(682)	(500)
Contributions	316	340
Past service costs	(25)	(30)
Other finance (income) / charge	(139)	(150)
Actuarial (loss)	(377)	(960)
31 July	(6,367)	(5,460)

Analysis of the movement in the present value of scheme liabilities

	2017 £000	2016 £000
Opening present value of liabilities	14,890	12,420
Current service cost	682	500
Past service cost	25	30
Interest cost	386	450
Contributions by participants	144	140
Actuarial (gain) / loss on liabilities	1,093	1,680
Net benefits paid	(268)	(330)
Closing present value of liabilities	16,952	14,890

Analysis of the movement in the market value of scheme assets

	2017 £000	2016 £000
Opening fair value of assets	9,430	8,260
Interest income on assets	247	300
Actuarial gain / (loss) on assets	730	720
Contributions by the Employer	316	340
Contributions by the participants	143	140
Net benefits paid (out)	(268)	(330)
Administration expenses	(13)	-
Closing fair value of assets	10,585	9,430

Merthyr Tydfil College Limited

Notes to the financial statements for the year ended 31 July 2017 (continued)

History of experience gains and losses

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Actuarial gain / loss on assets	730	720	610	850	600
Changes in assumptions underlying the present value of scheme liabilities	(130)	(650)	(200)	(20)	260
Actual return on assets	(977)	(1,030)	(900)	(1,220)	(870)
Total amount recognised in the income and expenditure account	(377)	(960)	(490)	(390)	(10)

21. 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 Taf
CF37 1DL