

**WEA CYMRU (CYMDEITHAS ADDYSG Y  
GWEITHWYR CYMRU, THE WORKERS'  
EDUCATIONAL ASSOCIATION WALES)**

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**Report and Financial Statements  
for the year ended 31 July 2014**

Company number: 3109524



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## Operating and Financial Review

### 1. NATURE, OBJECTIVES AND STRATEGIES

The Council present their report and the audited financial statements for the year ended 31 July 2014.

#### 1.1 Legal status

The Association is an exempt charity for the purposes of the Charities Act 2011. On 10<sup>th</sup> January 2014 WEA South Wales and Coleg Harlech WEA North merged and the information within these financial statements has been produced using merger accounting and represents the combined Association as though it had always been one entity.

WEA Cymru (Cymdeithas Addysg y Gweithwyr Cymru, The Workers' Educational Association Wales) is a charity registered in England and Wales (number 1071234) and a company limited by guarantee registered in England and Wales (number 3109524).

The Articles of Association state its object to be 'to promote education, in particular for young people and adults'.

#### 1.2 Purpose

To empower individuals, through the attainment of confidence, skills and knowledge so that they can play an active and democratic role in society locally, nationally and internationally.

#### 1.3 Vision, Mission Statement, Principles and Values

##### *Vision*

Our vision is to be the leading provider of adult community learning and workplace learning in Wales, with a strong strategic role within Adult Community Learning.

##### *Mission Statement*

To enhance the life chances of adults, young people primarily over the age of 16, and families, through the delivery of high quality education that promotes active citizenship, employability, cultural enrichment, social justice and health and well being, giving due regard to the Welsh language and culture and the diversity of communities in Wales.

Our strapline is: **WEA Cymru - Changing lives through democratic learning.**

##### *Principles*

To involve learners, volunteers, branches, members and other partners in:

- Embedding the understanding of equalities and diversity
- Ensuring a culture of continuous improvement across the organisation
- Influencing and campaigning on behalf of adult and young learners
- Removing barriers to learning
- Being responsive to learners, individuals, employers and communities
- Making the most effective use of resources
- Promoting learning for life
- Changing and enriching lives through learning – at individual and community level and in the workplace
- Enriching the civic and cultural life of Wales
- Developing adult education thought and practice and creating an evidence base
- Working in tandem with key local, regional and national strategies
- Promoting adult education worldwide
- Providing programmes that reduce in-work and out of work poverty
- Working in a sustainable and environmentally friendly way

## **Values**

<b>SHOWING RESPECT</b>	– respecting and valuing our people, their languages and our environment
<b>LEARNER FOCUSED</b>	– putting the learner at the centre of everything we do
<b>BEING FLEXIBLE</b>	– responding positively to change and finding innovative ways to improve
<b>WORKING COLLABORATIVELY</b>	– achieving more by working together
<b>PROVIDING VALUE FOR MONEY</b>	– making the best use of resources
<b>PRACTISING DEMOCRACY</b>	– negotiating the curriculum, promoting participation and making decisions collectively
<b>PRACTISING EQUAL OPPORTUNITIES</b>	– challenging discrimination, promoting a culture of inclusion and ensuring fair access to learning opportunities

### **1.4 Policy Context**

The policy direction from the Welsh Government (WG) was announced at the end of 2010 with the publication of the Adult Community Learning (ACL) Strategy “Delivering Community Learning for Wales”. This set out the direction of travel for Adult Community Learning to 2015 for the provision funded by the Department for Education and Skills (DfES). The majority of income received by the Association is from the DfES. The policy states that, by 2015, a minimum of 80% of the total funding allocated for ACL provision should be devoted to three priority groups of learners:

- Anyone aged 16 and above accessing an ACL basic skills and/or English for Speakers of Other Languages (ESOL) programme, including contextualised basic skills and citizenship courses
- Those who are not currently in education, training or employment and are in receipt of state benefits or support (excluding state retirement pension)
- Those aged 50 plus who are not in full time employment

Providers are expected to access fee income from those outside these priority groups. This provision should be largely accredited.

The remaining 20% of allocated funding is to be used for innovative provision, which may be non-accredited.

Joint strategic planning through ACL Partnerships at regional and local level remains an important requirement from the WG, and the Partnerships are the subject of Estyn Inspections. The Association has to continue to interact with 19 local ACL Partnerships and two regional partnerships.

The Thomas Review and the Simpson Review both reported in 2011 and have taken forward the Transformation agenda, making it clear that government expects fewer Further Education (FE) institutions and further collaborative working at a regional level. The merger of Coleg Harlech/WEA North (CHWEAN) with WEA South Wales to form WEA Cymru was part of this agenda.

### **1.5 Governance and Management**

The Association's governing body, its Council, plays a full part in approving the Strategic Plan and in monitoring its delivery. All members of Council attend at least one Committee, each of which has the remit of monitoring a part of the Strategy relating to that Committee. Members of Senior Management Team attend Council and Committee meetings to provide advice and guidance to the volunteer Council members. A skills audit is undertaken annually to assess gaps in skills levels within the Council and Committees, and co-opted members are brought onto some Committees to address these gaps as far as possible.

## Operating and Financial Review (continued)

### 1.6 Financial objectives

The Association's financial objectives are:

- to achieve an annual operating surplus
- to pursue alternative sources of funding, on a selective basis, consistent with the Association's aims and objectives, and the need for a financial contribution to the Association's overall finances
- to generate sufficient levels of income to support the asset base of the Association
- to further improve the Association's shorter term liquidity
- to retain an average cash level of over £50,000
- to maintain category "B" DfES financial status

Meeting the above targets will require the retention of tight staffing levels and taking all reasonable opportunities to make efficiency gains. In addition, meeting student growth is imperative in order to ensure the projected income streams.

### 1.7 Quality controls

The Association's Self Assessment Report (SAR) measures our performance throughout the year as part of the Quality cycle. The SAR is written in accordance with guidance from the Welsh Government. Judgements are made using the format of the Estyn Common Inspection Framework which focuses on 3 key questions relating to Outcomes, Provision, and Leadership and Management. We judged our performance to be Good in relation to Standards, Well-Being, Learning Experiences, Teaching, Care, Support and Guidance, the Learning Environment, Leadership, Improving Quality and Resource Management. We rated our performance as Excellent for Partnership Working. We consider the organisation as sector leading in terms of partnership working and in our role as the Third Sector Learning Champion, as recognised by the Welsh Government.

The use of data to inform planning has been strengthened and regular scrutiny was undertaken by the Senior and Operational Management Teams and through the Quality and Learner Experience Committee and Council. A copy of the SAR was placed on the Association's central global drive, along with a Quality Development Plan (QDP) itemising the actions arising from the SAR to ensure continuous improvement.

The Association's major plans are the Strategic Plan, the Provision Development Plan, the SAR/QDP and the Risk Register. Council and its Committees scrutinise the actions and targets set within these plans.

### 1.8 Financial Position

#### Financial results

The following table summarises performance for 2013/14 against 2012/13:

	2013/14	2012/13
Operating surplus	£69k	£20k
Current ratio (current assets / current liabilities)	1.4:1	1.3:1
Staff costs as % of income	66%	68%
DfES income as a % of total income	66%	67%
Accumulated reserves excl. FRS17	£1.1m	£1.4m
Cash balances	£1.2m	£541k

Tangible fixed asset additions during the year amounted to £69k and were wholly attributable to equipment.

## **Operating and Financial Review (continued)**

### **Treasury policies and objectives**

Treasury management is the management of the Association's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

This function is absorbed within the finance function and is overseen by the Director of Finance.

There have been no short term borrowings during the year. If the Association were to make any short term borrowings for temporary revenue purposes this would be authorised by the Chief Executive and approved by the Finance and General Purposes Committee. Such arrangements are restricted by limits in the Financial Memorandum with the WG. All other borrowing requires the authorisation of Council and shall comply with the requirements of the Financial Memorandum of the WG.

### **Cash flows and Liquidity**

At £124k (2012/13 decrease of £946k), operating cash flow has improved on the previous year. As a result there was a movement in net funds for the year of £690k (2012/13 decrease of £330k).

The current ratio stands at 1.4:1 which highlights the Association's continuing progress in its objective of maintaining financial health through improved liquidity.

The Association has no long-term borrowing.

### **Payment performance**

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

Supplier terms are set within the accounting system and may range from zero days (for employee/voluntary member expense claims) to 30 days for large suppliers. Where payment is required to be made more frequently e.g. suppliers of utilities etc., terms are set and wherever possible, payment is made within the required time frame.

Where invoices are contested, suppliers are notified immediately and they are settled as soon as possible if monies are owed. When suppliers query non-payment for whatever reason, the situation is investigated immediately and copy invoices requested where required.

Wherever possible the Association complies with the Better Payments Practice Code.

Late receipt of authorised invoices into the Finance Department can result in late payment.

Field offices have been reminded of the need to authorise invoices and return them to Central Office for payment as quickly as possible.

During the period 1 August 2013 to 31 July 2014 the Association incurred no interest charges in respect of late payment for this period.

### **Post-balance sheet events**

There were no post-balance sheet events to report.

## Operating and Financial Review (continued)

### 2. CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

#### 2.1 Strategic Plan

The Strategic Plan for 2014-17 contains the purpose of the Association, its Vision, the Principles by which we operate and our Values. The Plan was developed for WEA Cymru in consultation with staff, trustees, the membership and key stakeholders.

This Strategic Plan covers the period 2014-17 taking the Association through a period of transition from two separate organisations to an all Wales body. The plan identifies the priorities and future direction of the Association in Wales and reaffirms its mission to democratic learning and providing education opportunities in areas where classes would otherwise not be offered. This plan also recognises that the Association is unique amongst Further Education and Adult Community Learning providers for its volunteer membership and the importance it places on the negotiation of learning with its learners, its branches, its wide range of partners and the wider community.

The plan identifies three strategic aims.

AIM 1: To be the leading provider of negotiated Adult Community Learning and Workplace Learning in Wales

AIM 2: To provide an excellent and effective learner experience which includes a strong learner voice

AIM 3: To be well led, high performing, inclusive, democratic and accountable

Underpinning these aims are objectives and targets to develop the organisation and to give staff, volunteers and other stakeholders clear priorities and show how their role will contribute to the Association's future. The strategic aims map to our other organisational frameworks including finance, curriculum, quality and audit, and to regional, operational and business plans. Key performance indicators (KPIs) are identified to monitor progress for each strategic aim. These will be monitored as part of routine business by Senior Management Team (SMT) and our Committee and Council structure.

The planning process and review for this strategic plan involves discussions with staff, volunteers, learners and Council members. At these meetings the priorities are agreed and then taken forward by a lead member on SMT. These priorities take into account where the organisation is now (through its self assessment processes), how external drivers impact on the organisation, the plan's impact on equality of opportunity, and the overall priority of maintaining the unique identity of the Association. We recognise that ownership of these strategic aims by all staff is key to driving forward the change management that this plan requires.

#### 2.2 Student numbers

In 2013/14 the Association recruited 14,192 learners, 66% female and 34% male. In terms of the ratio of accredited to non-accredited, in 2013/14, 86% of WCEUs (Weighted Credit Equivalent Units) were delivered through accredited courses. Completion rates are at 95% overall (2% above National Comparators), attainment rates are at 90% (which mirrors the National Comparators) with Successful Completion at 85% (1% above National Comparators). Twelve subject sector areas had attainment rates of 93% or above with four having attainment rates of 100%.

*National Comparators (NCs) are 12/13 data and are taken from National Statistics for Wales document SDR 57/2014 (Page 22). NCs for 13/14 are due to be published in April/May 2015.*

## Operating and Financial Review (continued)

## 2.3 Student achievements

The table below gives the current performance data available for accredited courses, grouped by learning areas.

Accredited Provision						
Subject Sector Area	Subject Sector Area Description	No. of Learners Enrolled	Weighted CEUs (WCEUs)	Comp %	Attain %	Success %
1.1	Medicine & Dentistry	10	23.33	80%	100%	80%
1.2	Nursing, medicine	155	422	94%	92%	86%
1.3	Health and social care	2792	5669.98	98%	93%	91%
1.5	Child development & well-being	49	147	98%	94%	92%
2.1	Science	262	749.5	93%	76%	70%
3.1	Agriculture	17	66	94%	100%	94%
3.2	Horticulture & forestry	299	1580.5	96%	90%	86%
4.2	Manufacturing technologies	781	2606.8	98%	92%	89%
5.2	Building & construction	20	243.33	100%	85%	85%
6.1	ICT Practitioners	17	37.5	100%	82%	82%
6.2	ICT for users	1781	5980.36	91%	87%	79%
7.1	Retailing and Wholesaling	47	132.8	85%	80%	68%
7.3	Service enterprises	23	53.13	96%	95%	91%
7.4	Hospitality and catering	983	1667.65	99%	91%	90%
8.1	Sport, leisure & recreation	49	247.9	100%	98%	98%
9.1	Performing Arts	118	3282.32	86%	97%	84%
9.2	Crafts, creative arts, design	3294	17059.69	93%	88%	82%
9.3	Media and Communication	27	582.78	85%	91%	78%
9.4	Publishing and Information Services	36	72.89	75%	59%	44%
10.1	History	123	352	78%	85%	67%
11	Social Sciences	17	1484.42	65%	91%	59%
11.2	Sociology & social policy	144	572	81%	90%	72%
12	Languages, literature, culture	46	92.67	100%	83%	83%
12.1	Lang, lit, & culture of Brit	183	704.89	98%	87%	86%
12.2	Other languages, lit, culture	316	1430.95	90%	81%	73%
13.1	Teaching & lecturing	480	1768.54	87%	90%	78%
13.2	Direct Learning Support	30	90	90%	85%	77%
14.1	Foundation for learning & life	986	3416.49	91%	88%	81%
14.1A	Independent Living Skills Mod	475	3966.03	96%	92%	88%
14.1B	Independent Living Skills Prof	336	3273.32	98%	93%	91%
14.1C	Adult Basic Education ABE	2565	7180.56	94%	91%	85%
14.1D	ESOL	1577	7160.74	98%	90%	88%
14.2	Preparation for Work	523	1004.16	85%	94%	80%
15.1	Accounting and finance	41	38.15	100%	95%	95%
15.2	Administration	52	73.43	87%	82%	71%
15.3	Business management	1495	7113.75	97%	94%	91%
15.4	Marketing and sales	16	42	81%	100%	81%
15.5	Law and legal services	45	61.5	100%	100%	100%
<b>Totals</b>		<b>20210</b>	<b>80451.06</b>			

## **Operating and Financial Review (continued)**

Achievements for learners on non-accredited courses are more difficult to measure, although the use of individual learning plans allows for 'distance travelled' to be evidenced.

The above table excludes non-accredited WCEUs of 12,606 and learndirect WCEUs of 2,781.

### **2.4 Student Profile**

The most popular courses are Crafts, Creative Arts and Design; English for Speakers of Other Languages (ESOL); Adult Basic Education; Trade Union Studies (categorised as Business Management); Information and Communication Technology (ICT); and Health & Social Care.

We have continued our work with asylum seekers and with ethnic minority groups. 7.6% of our learners in 2013/14 are from minority ethnic communities. We continue to target the most disadvantaged areas and 48.6% of our learners live in areas of deprivation. The majority of our learners are still women, up slightly from 2012/13 at 66%, and 75.4% of our learners are aged between 20 and 60.

### **2.5 Curriculum developments**

Provision for 2013/14 is an aggregate of workplace and regional curricula administered from the Association's five regional offices, 2 outreach offices and the Harlech college site. For DfES and Estyn purposes, all learning came under Adult Community Learning and Adult Skills. A significant proportion of learning for employability and to access essential skills was supported through project funding, particularly through the ESF programmes associated with the ESIL, RES, ESiW and Engagement Gateway projects. The provision continued to target adult learners with high barriers to entry particularly from Community First areas and those with the lowest skills levels and it supported the Association's branch structure. Learning delivered in the workplace was offered in response to demand from the trade union movement and employers. Some of this was supported through the Wales Union Learning Fund (WULF) and some was on the basis of full cost recovery.

Negotiation with learners and partners was on-going throughout the year and CEUs were reserved to develop courses as new learning needs were identified. The range of subjects and levels continued to be broad and at levels from pre-entry to level 3 in the main. On-line learning centres in Merthyr and Cardiff were closed but we continued to deliver learndirect and IT courses via community and partnership venues and there was an emphasis on using the flexibility of these courses to support people in work as well as the employability and essential skills agenda.

WEA Cymru continues to offer a broad range of subjects, in line with Welsh Government policy drivers. Courses are both accredited and non accredited provision and include enrichment programmes for other courses – for example day schools, lectures, trips to the Senedd and various residential courses studying a wide range of "tasters". We have also continued to have a drive on the delivery of essential skills in line with the requirements of National Policies and Strategies. We worked in partnership with Welsh for Adult centres and workplace partners to develop bilingual and Welsh Medium learning programmes.

### **2.6 Future developments**

In a period of declining public spending and forecast reduction in grant the Association is seeking to improve efficiency to ensure value for money is achieved. The Association would like to reduce dependency on the WG and is seeking opportunities particularly in the areas where the Association has previously performed well such as European Commission grants.

## **3. RESOURCES**

The Association has limited resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the Coleg Harlech campus, Bryn Menai in Bangor and the Coopers Yard site in Cardiff. This follows the disposal of the Station Terrace building in Ely, Cardiff during the year.

## **Operating and Financial Review (continued)**

### **3.1 Financial**

The Association has net assets excluding FRS17 of £2.7m with no long term debt.

### **3.2 Staffing**

During the academic year 2013/2014 there were 339 hourly paid teaching staff. As at 31 July 2014, there were 59 full time and 47 part time staff.

A performance management scheme and a Workforce Development Plan have been developed and will be implemented during the year.

Professional Development Reviews for tutors take place on an annual basis, with the purpose of monitoring tutor performance, providing support and identifying and fulfilling training and development needs. Appraisals for core staff continue to take place on an annual basis.

## **4. PRINCIPAL RISKS AND UNCERTAINTIES:**

WEA Cymru has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect WEA Cymru's assets and reputation.

Based on the strategic plan, Risk Management is a standing point on the agenda for Senior Management Team meetings. The Senior Management Team undertakes a comprehensive review of the risks to which the Association is exposed which are documented in a risk register with clear plans of action. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the Association. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Senior Management Team also considers any risks which may arise as a result of a new area of work being undertaken by the Association.

A risk register is maintained and is reviewed on a termly basis by the Audit and Corporate Governance Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Association and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a description of the principal risk factors that may affect WEA Cymru. Not all the factors are within the Association's control: other factors besides those listed below may also adversely affect it.

### **4.1 Government funding**

The Association has considerable reliance on continued government funding through the DfES. However in 2013/14 the Association was able to maintain the reliance at an acceptable level of 66%. The level of funding from DfES has been cut by 2.6% for 2015/16.

This risk is mitigated in a number of ways:

- The Association continues to expand into Workplace Learning with a range of full cost recovery courses.
- The Association continues to increase the use of full cost recovery throughout main stream provision.
- By ensuring the Association is rigorous in delivering high quality education.
- Considerable focus and investment is placed on maintaining and managing key relationships with various funding bodies.
- Ensuring the Association is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with DfES.

## Operating and Financial Review (continued)

- Dialogue with other WG departments, in particular Social Justice.
- Preparation of funding bids from sources other than WG.
- Discussions with other providers to develop joint bids to contract for the delivery of services in Wales and UK-wide.
- By the merger between WEA Cymru and YMCA Wales Community College, programmed to be completed by 31 July 2015 (subject to final approval by an Extraordinary General Meeting).

### 4.2 Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the Association's balance sheet in line with the requirements of FRS 17.

## 5. STAKEHOLDER RELATIONSHIPS

The Association has many stakeholders. These include:

- Learners
- Funders
- Branches
- Members
- Volunteers
- The local community
- Local employers (with specific links)
- Local Authorities
- ACL Partnerships, regional and local
- Welsh Government
- Staff
- Other FE institutions
- Trades unions
- Accrediting bodies
- HE Institutions
- Other Third Sector organisations and partners

The Association recognises the importance of these relationships and engages in regular communication and collaboration with stakeholders.

### 5.1 Equal opportunities and employment of disabled persons

The Association recognises that discrimination, prejudice and disadvantage exist in society, and that groups and individuals have been treated unfairly for reasons including gender, ethnic origin, race, nationality, disability status, marital or family status, sexual orientation, age and religion. We are committed to making our contribution to help eliminate this by working positively to promote a more inclusive society. It is our aim and commitment to provide all of our services and employment opportunities on a fair and equitable basis.

WEA Cymru's values emphasise the principle of equity, aimed at extending education opportunities to all learners and potential learners, regardless of class, age, disability or learning difficulty, gender, sexual orientation, race, colour, language and culture, religious beliefs, economic or marital status. The commitment at all times is to meet the needs and aspirations, and enhance the skills, of individuals both within the learning experience and at work. The Association further recognises that education enables the progress not only of individuals but of communities through the contribution of aware and committed individuals, and sees its recognition of the social purpose of education as integral to its commitment to equal opportunities.

It is the policy of the Association to take all reasonable steps to employ and promote employees on the basis of their skills. Ongoing monitoring and regular analysis of data collected as a result of diversity monitoring provide the basis for appropriate action to eliminate unlawful direct and indirect discrimination and promote equality of opportunity. The Association considers all applications for

## Operating and Financial Review (continued)

employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with WEA Cymru continues. The Association's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. The Association makes every effort to ensure that any problems encountered by disabled employees or potential disabled employees are minimised.

### 5.2 Disability statement

The Association as part of its Equality and Diversity policy seeks to secure full access to its courses and meetings for those with disabilities. As far as reasonably practicable it makes arrangements to ensure that students with disabilities can profit fully from its activities, by ensuring that necessary media and support are provided and that physical access to courses is possible. However, with the exception of courses provided in its Harlech, Bangor, Wrexham, Cardiff and Swansea centres WEA Cymru does not meet in its own premises. While it works with the providers of premises to provide equal access, it cannot always guarantee unimpaired access in all community venues.

### 5.3 WEA Cymru and the Welsh Language

WEA Cymru is committed to the Welsh Government's vision of a truly bilingual Wales, as set out in the document 'A Language for All (Iaith Pawb)': "... a country where people can choose to live their lives through the medium of either Welsh or English and where the presence of both languages is a visible and audible source of pride and strength for all of us".

WEA Cymru will work to ensure that the Welsh language will be treated no less favourably than the English language. Standards set will be clear and consistent in terms of the services to be provided in both languages and will strive to be reasonable and proportionate, to reflect an all-Wales educational association. Compliance with the standards will be ensured through regular monitoring.

In addition to advancing learning and knowledge through participation in education and training, WEA Cymru is committed to promoting awareness and understanding of the Welsh language, Welsh heritage and culture in all aspects of its business and services. WEA Cymru fully supports the principle of a bilingual workplace, and has put in place the mechanisms necessary to encourage the promotion, use and improvement of the Welsh language skills of its workforce.

### 5.4 Disclosure of information to auditors

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

**Approved by order of the members of the Council on 26<sup>th</sup> June 2015 and signed on its behalf by:**

**Rob Humphreys**  
Chair

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### Professional advisers

**External auditors:**  
btp Associates

**Bankers:**  
Co-operative Bank, Cardiff

**Internal auditors:**  
Baker Tilly

**Solicitors:**  
Leo Abse and Cohen, Cardiff

## Statement of Corporate Governance and Internal Control

The Association is committed to exhibiting best practice in all aspects of corporate governance.

This summary describes the manner in which the Association has applied the principles set out in the revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2006. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Council, the Association complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2014.

### THE COUNCIL

The members who served on the Council during the year are as listed below:-

Name	Status	Date of Resignation	Committees Served
Rob Humphreys	Chair from 10.1.14		Search
Jeremy Gass	Chair up to 10.1.14		Learner Experience, Staffing (both to 10.1.14), Finance and General Purposes (throughout), Quality and Learner Experience (from 10.1.14)
Jenni Jones-Annetts	Vice Chair up to 10.1.14; Individuals, Affiliated Organisations and Learner Forums Rep. from 29.3.14	10 January to 29 March 2014	Audit (to 10.1.14), Staffing, Search (from 10.1.14)
Richard Fattorini	Vice Chair up to 10.1.14	10 January 2014	Health & Safety, Audit (both to 10.1.14)
Derek Edwards	Branch Rep. to 10.1.14 and Regional Forum Rep. from 29.3.14	10 January to 29 March 2014	Learner Experience, Health & Safety co-opted (both to 10.1.14), Vol. Movement (from 10.1.14)
David MacManus	Branch Rep. to 10.1.14 and Learner Rep. from 29.3.14	10 January to 29 March 2014	Staffing
Thomas Burley	Branch Rep.	10 January 2014	
Dorothy McCormack	Branch Rep.	10 January 2014	
Huw Williams	15-Jun-01	10 January 2014	Staffing, Vol. Movement (both to 10.1.14)
John Henderson	Branch Rep.	10 January 2014	Finance, Health & Safety co-opted (both to 10.1.14)
Andrea Sharman	Branch Rep.	10 January 2014	Staffing (to 10.1.14)
Janet Bailey	Branch Rep.	10 January 2014	Staffing, Learner Experience (both to 10.1.14)
Jane Carter	Branch Rep.	10 January 2014	Learner Experience (to 10.1.14)
Ken Owen	Branch Rep.	10 January 2014	Vol. Movement (to 10.1.14)
Gareth Evans	Branch Rep.	10 January 2014	Finance, Health & Safety co-opted (both to 10.1.14)
Caroline Streek	Branch Rep.	10 January 2014	Finance, Vol. Movement (both to 10.1.14)
Christopher Franks	Ind. Rep. to 10.1.14 Appointed from		Audit

	10.1.14		
Viv Davies	Ind. Rep. to 10.1.14 Appointed from 10.1.14		Learner Experience (to 10.1.14), Vol. Movement (throughout), Curriculum, Search (both from 10.1.14)
Jeff Greenidge	Ind. Rep.	10 January 2014	Audit (to 10.1.14)
Olwen Leavold	Ind. Rep.	10 January 2014	Vol. Movement, Finance, Health & Safety (all to 10.1.14)
Elaine Gwynne	Ind. Rep.	10 January 2014	
Jessica Cromie	Ind. Rep.	10 January 2014	Vol. Movement (to 10.1.14)
Dr. Alan Heneberry	Ind. Rep.	10 January 2014	Learner Experience (to 10.1.14)
Hibo Maher	Affiliated Org. Rep.	10 January 2014	Finance (to 10.1.14)
Mashmooma Din	Affiliated Org. Rep.	10 January 2014	Learner Experience (to 10.1.14)
Jon Parry	Before 2001		Audit, Chair of Governing Body CHWEAN, Finance and General Purposes (Chair), Remuneration (Chair), Search & Governance (Chair)
Alison Hill	14-Dec-07		Staffing, Finance and General Purposes, Remuneration, Search & Governance
Gerry Jenson	01-Oct-12		Curriculum, Quality and Learner Experience
Alwyn Rowlands	11-Sep-09	28 March 2014	Vice Chair of Governing Body, Member of Audit (until 30 November 2013), Search & Governance, Remuneration
Helen Mary Jones	Appointed from 10.1.14		Staffing, Search
Phil Elias	Branches Rep. from 29.3.14		Finance and General Purposes, Vol. Movement
Toni Schiavone	NW Regional Forum Rep. from 29.3.14		Finance and General Purposes, Quality and Learner Experience
Nigel Davies	NE & Mid Regional Forum Rep. from 29.3.14		Curriculum
Cathy Clark	SE Regional Forum Rep. from 29.3.14		Vol. Movement, Curriculum
Graham Price	South Central Regional Forum Rep. from 29.3.14		Audit, Curriculum
June Jeremy	Staff Rep. from 29.3.14		Finance and General Purposes
Dave Ashman	Staff Rep. from 29.3.14	11 April 2014	
Nick Taylor	Staff Rep. from 13.5.14		Vol. Movement
Rebecca Rumbul	Appointed from 3.7.14		Quality and Learner Experience
Christine Topham	Learner Rep. from 15.7.14		Quality and Learner Experience
Gwyn Parry	04-Jul-08	10 January 2014	Audit (Chair)
Trefor Fôn Owen	01-Nov-10	9 January 2014	Finance & General Purposes, Search & Governance, Remuneration, Quality
Barrie Buels	18-Mar-05	10 January 2014	Finance and General Purposes

Bob Clowes	24-Jun-11	10 January 2014	
Ian Cuthbertson	12-Mar-03	10 January 2014	Finance and General Purposes
Nicola Holmes	02-Jul-10	10 January 2014	
John Jones	30-Jun-06	10 January 2014	Audit
Mr Rhys Parry	18-Mar-05	10 January 2014	Audit
Dr Brec'hed Piette	04-Jul-08	10 January 2014	
Dafydd Rhys	01-Jul-08	10 January 2014	
Carys Williams (formerly Wigglesworth)	02-Jul-10	6 December 2013	
Tracey Jones	01-Jul-12	10 January 2014	Audit
Emlyn Thomas	18-Mar-05	10 January 2014	Quality, Health and Safety (Chair)
Gail Dervish	01-Oct-12	12 February 2013	Finance and General Purposes

The Council is provided with regular and timely information on the overall financial performance of the Association together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Council meets a minimum of three times a year.

The Council conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Council. Full minutes of all meetings, except those deemed to be confidential by the Council, are available from the Clerk to the Council at:

WEA Cymru  
7 Coopers Yard  
Curran Road  
Cardiff  
CF10 5NB

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

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

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

## **Statement of Corporate Governance and Internal Control (continued)**

The Council has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Council considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Committees comprise mainly lay members of the Council, one of whom is the Chair. In addition other task and finish groups may be convened at the discretion of Council.

There is a clear division of responsibility in that the roles of Chair of Council and that of Chief Executive Officer are separate.

### **Appointments to the Council**

While some Council members are appointed, other members of Council are nominated by Branches, Individuals, Learner Forums, Affiliated Organisations, Staff and Learners for election at the Annual General Meeting. The Council is responsible for ensuring that appropriate training is provided for its members as required.

### **Audit and Corporate Governance Committee**

The Audit and Corporate Governance Committee comprises three members of the Council (excluding the Chief Executive, Chair, and Finance and General Purposes Committee members). The Committee operates in accordance with written terms of reference approved by the Council.

The Audit and Corporate Governance Committee meets on a termly basis and provides a forum for reporting by the WEA Cymru's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of WEA Cymru management if necessary. The Committee also receives and considers reports from the DfES as they affect WEA Cymru's business.

The Association's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and to the Audit and Corporate Governance Committee.

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

The Audit and Corporate Governance Committee also advises the Council on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

## **INTERNAL CONTROL**

### *Scope of responsibility*

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

The Council has delegated the day-to-day responsibility to the Chief Executive Officer, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Association's policies, aims and objectives, whilst safeguarding the public funds and assets for which s/he is personally responsible, in accordance with the responsibilities assigned to him or her in the Financial Memorandum between the Association and the DfES. He or she is also responsible for reporting to the Council any material weaknesses or breakdowns in internal control.

## Statement of Corporate Governance and Internal Control (continued)

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

The system of internal control provides reasonable, not absolute, assurance of effectiveness and is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Association's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 July 2014 and up to the date of approval of the annual report and accounts.

### *Capacity to handle risk*

Council has reviewed the key risks to which the Association is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. Council is of the view that there is a formal ongoing process for identifying, evaluating and managing the Association's significant risks. This process is regularly reviewed by the Association.

### *The risk and control framework*

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

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

The Association has an internal audit service, which operates in accordance with the requirements of the DfES. The work of the internal audit service is informed by an analysis of the risks to which the Association is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Council on the recommendation of the Audit and Corporate Governance Committee. At minimum annually, the Chair of Audit and Corporate Governance Committee provides Council with a report on internal audit activity in the Association. The report includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the Association's system of risk management, controls and governance processes.

### *Review of effectiveness*

As Accounting Officer, the Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. Her/his review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors
- The work of the executive managers in the Association who have responsibility for the development and maintenance of the internal control framework
- Comments made by the Association's external auditors and the DfES auditors in their management letters and other reports.

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the regions and reinforced by risk awareness training. The Senior Management Team and the Audit and Corporate Governance Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit and Corporate Governance Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Council's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit and Corporate Governance Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

**GOING CONCERN**

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

Approved by order of the members of the Association on 22<sup>nd</sup> July 2015 and signed on its behalf by:

**Rob Humphreys**  
**Chair**

**Maggi Dawson**  
**Chief Executive Officer**

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## Statement of Responsibilities of the Members of the Council of the Association

The Members of the Council of the Association are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum agreed between the DfES and the Association, the Association, through its Chief Executive Officer, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions*, Company Law and with the Accounts Direction issued by the DfES which give a true and fair view of the state of affairs of the Association and the result for that year.

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

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

The Association is responsible for maintaining proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association, and which enable it to ensure that the financial statements comply with the Companies Act 2006. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

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

In accordance with Company Law, as the Members of the Council, we certify that:

- so far as we are aware, there is no relevant audit information of which the company's auditors are unaware; and
- as the Members of the Council of the Association we have taken all the steps necessary in order to make ourselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

**Statement of Responsibilities of the Members of the Council of the Association (continued)**

The Members of the Council are aware that the Association has a responsibility under the Charities Act to demonstrate that it has charitable aims that meet the public benefit requirement and are therefore charitable. The Members of the Council confirm that they have had regard to the Charity Commission's guidance on public benefit when considering, planning and implementing the activities of the charity and their compliance with the duty under S4 Charities Act 2006. As Council, we believe that the aims of the Association are charitable and for public benefit. Furthermore, in our view, no detriment or harm arises from the Association carrying out its work and we are not aware of any widespread views among others that such detriment or harm might arise.

This report is prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, and the Companies Act 2006.

Approved by order of the Members of the Council of the Association on 22<sup>nd</sup> July 2015 and signed on its behalf by:

**Rob Humphreys**  
**Chair**

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# **REPORT OF THE AUDITORS TO THE MEMBERS OF WEA CYMRU (CYMDEITHAS ADDYSG Y GWEITHWYR CYMRU, THE WORKERS' EDUCATIONAL ASSOCIATION WALES)**

**A COMPANY LIMITED BY GUARANTEE - 3109524**

## **Independent Auditors' Report to the Governing Body (Council) of WEA Cymru**

We have audited the financial statements of WEA Cymru ('the Association'), for the year ended 31 July 2014, which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow statement, the Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, UK accounting standards (UK Generally Accepted Accounting Practice), the Statement of Recommended Practice – Accounting for Further and Higher Education, and the Accounts Direction issued by the Welsh Government.

## **Respective Responsibilities of the Governing Body (Council) and Auditor**

As explained more fully in the Statement of Responsibilities of the Members of the Council of the Association, the Association's Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements.

We report to you whether in our opinion, in all material respects, monies expended out of Welsh Government grants and other funds from whatever source administered by the Association for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation and whether in our opinion, in all material respects, income has been applied in accordance with the Financial Memorandum with the Welsh Government.

We also report to you if, in our opinion, the Council's Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
WEA CYMRU (CYMDEITHAS ADDYSG Y GWEITHWYR CYMRU,  
THE WORKERS' EDUCATIONAL ASSOCIATION WALES)  
(Continued)**

**A COMPANY LIMITED BY GUARANTEE - 3109524**

We have read the Report of the Members of the Council including the corporate governance statement and the statement of internal control and consider the implications for our report if we become aware of any apparent misstatement within it.

**Opinion on financial statements**

In our opinion:

- a) the financial statements give a true and fair view of the state of the Association's affairs as at 31 July 2014 and of its surplus of income over expenditure and cash flows for the year then ended;
- b) the financial statements have been properly prepared in accordance with the Accounts Direction issued by the Welsh Government, the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education, the provisions of the Companies Act 2006, and United Kingdom Generally Accepted Accounting Practice;
- c) proper accounting records have been kept; and
- d) the financial statements are in agreement with the accounting records.

**Opinion on other matters prescribed in the Further Education Audit Code of Practice 2007 issued by the Welsh Government**

In our opinion:

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

**Huw L Baker FCA MABRP  
Senior Statutory Auditor  
For and behalf of:**

**Btp Associates Ltd  
Chartered Accountants  
Merthyr Tydfil**

**Date:**

# **INDEPENDENT AUDITORS' REPORT ON REGULARITY TO THE COUNCIL OF WEA CYMRU AND THE WELSH GOVERNMENT**

## **A COMPANY LIMITED BY GUARANTEE – 3109524**

In accordance with the terms of our engagement letter and further to the requirements of the Welsh Government, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of WEA Cymru ('the Association') for the year ended 31 July 2014 have been applied to the purposes identified by the Welsh Government and the financial transactions conform to the authorities which govern them.

This report is made solely to the Association and the Welsh Government. Our review work has been undertaken so that we might state to the Association and the Welsh Government, those matters we are required to state to them in a 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 Association and the Welsh Government, for our review work, for this report, or the opinion we have formed.

### **Respective responsibilities of the Governing Body (Council) and Auditors**

The Association's Governing Body is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations, for ensuring that expenditure and income are applied for the purposes intended by the Welsh Government and the financial transactions conform to the authorities which govern them.

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by DfES (Welsh Government). We report to you whether, in our opinion, in all material respects, the Association's expenditure and income for the year ended 31 July 2014 have been applied to purposes intended by the Welsh Government and the financial transactions conform to the authorities which govern them.

### **Basis of Opinion**

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by DfES (Welsh Government). Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Association's income and expenditure.

### **Opinion**

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2014 have been applied to purposes intended by the Welsh Government and the financial transactions conform to the authorities which govern them.

**Huw L Baker FCA MABRP**  
**Senior Statutory Auditor**  
**For and on behalf of:**

**Btp Associates Ltd**  
**Chartered Accountants**  
**Merthyr Tydfil**

**Date:**

# INCOME AND EXPENDITURE ACCOUNT

## INCOME

	Notes	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Welsh Government Income	2	5,015	5,025
Tuition fees and education contracts	3	538	484
Other grants and contracts	4	1,208	1,539
Other income	5	331	383
Investment Income	7	3	1
Pension Finance Income	9	66	-
Branch Income	6	1	15
Profit on Sale of Fixed Assets	8	417	1
<b>Total Income</b>		<b>7,579</b>	<b>7,449</b>

## EXPENDITURE

Staff costs	10	5,036	5,474
Other operating expenses	12	2,291	2,232
Depreciation	16	197	234
Interest payable	13	-	-
Pension Finance Costs	13	-	3
Branch Expenditure	12	-	16
<b>Total expenditure</b>		<b>7,524</b>	<b>7,960</b>
Surplus on continuing operations after depreciation			
Actuarial gain/(loss) in respect of pension scheme		55	(511)
Taxation	14	-	-
<b>Surplus on continuing operations after depreciation of assets at valuation and tax</b>		<b>55</b>	<b>(511)</b>
Transferred from specific endowments	24	14	531
	15	69	20

The income and expenditure account is in respect of continuing activities.

## STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

	Notes	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Surplus on continuing operations before taxation		55	(511)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	25	(41)	(42)
<b>Historical Cost surplus for the year before taxation</b>		<b>14</b>	<b>(553)</b>
<b>Historical Cost surplus for the year after taxation</b>		<b>14</b>	<b>(553)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax		55	(511)
Actuarial gain/(loss) in respect of pension scheme	39	(3)	488
Net Movement in Fixed Asset Revaluation Fund	25	(41)	(92)
Prior Year adjustment	40	-	(197)
Appreciation of endowment asset investments	24	5	68
New endowments	24	-	775
Revaluation of endowment asset	24	-	142
Net investment income on endowments	24	17	17
<b>Total recognised gains relating to the year</b>		<b>33</b>	<b>690</b>

### RECONCILIATION

Opening funds		902	212
Total recognised gains relating to the year		33	690
Transfers and movement on restricted reserves		-	-
<b>Closing funds</b>		<b>935</b>	<b>902</b>

**BALANCE SHEET AS AT 31 JULY**

	Notes	Year Ended 31 July 2014		Year Ended 31 July 2013	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Tangible Assets	16		1,212		1,522
<b>Endowment Assets</b>	17		1,018		1,010
<b>Current Assets</b>					
Debtors	18	774		1,176	
Investments		1		1	
Cash at bank and in hand	26	1,209		541	
<b>Total Current Assets</b>		<u>1,984</u>		<u>1,718</u>	
<b>Less: Creditors - amounts falling due within one year</b>	19		<u>1,420</u>		<u>1,298</u>
<b>Net Current assets</b>			<u>564</u>		<u>420</u>
<b>Total assets less current liabilities</b>			2,794		2,952
<b>Less: Creditors - amounts falling due after more than one year</b>	20		-		-
<b>Less: Provisions for liabilities</b>	22		<u>97</u>		<u>107</u>
<b>Net assets excluding pension asset/(liability)</b>			<b>2,697</b>		<b>2,845</b>
<b>Net Pension (liability)/asset</b>	27		(1,193)		(1,262)
<b>NET ASSET INCLUDING PENSION (LIABILITY)</b>			<u><b>1,504</b></u>		<u><b>1,583</b></u>
<b>Deferred Capital Grants</b>	23		<b>570</b>		<b>682</b>
Permanent endowments		796		780	
Expendable endowments		<u>222</u>		<u>230</u>	
<b>Total endowments</b>	24		<b>1,018</b>		<b>1,010</b>
<b>Reserves</b>					
Income and expenditure account -excluding pension reserve	27	869		872	
Pension reserve	27	<u>(1,193)</u>		<u>(1,262)</u>	
Income and expenditure account -including pension reserve		(324)		(390)	
Revaluation Reserve	25	230		271	
Restricted Reserves	27	<u>10</u>		<u>10</u>	
<b>Total Reserves</b>			<u><b>(84)</b></u>		<u><b>(109)</b></u>
<b>Total</b>			<u><b>1,504</b></u>		<u><b>1,583</b></u>

The financial statements on pages 23 - 49 were approved by the Governing Body on 26 June 2015 and were signed on its behalf by:-

\_\_\_\_\_  
MAGGI DAWSON  
Chief Executive Officer

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Rob Humphreys  
Chair of Governors

## CASH FLOW STATEMENT

	Notes	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
<b>Cash inflow from operating activities</b>	<b>28</b>	124	(946)
Returns on investments and servicing of finance	<b>29</b>	20	18
Taxation		-	-
Capital expenditure and financial investment	<b>30</b>	546	598
Management of liquid resources	<b>31</b>	-	-
		<hr/>	<hr/>
<b>Increase/(Decrease) in cash in the year</b>		<b>690</b>	<b>(330)</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation of net cash flow to movement in net funds/(debt)</b>			
Increase/(Decrease) in cash in the year		690	(330)
Cash inflow from new secured loans		-	-
Cash outflow from liquid resources		-	-
Change in net debt resulting from cash flows		-	-
Actuarial gain/(loss) in respect of pension scheme		-	-
		<hr/>	<hr/>
Movement in net funds in year		<b>690</b>	<b>(330)</b>
Net funds at 1 August		553	883
		<hr/>	<hr/>
<b>Net funds at 31 July</b>	<b>32</b>	<b>1,244</b>	<b>553</b>
		<hr/> <hr/>	<hr/> <hr/>

## Notes to the Accounts

### 1. Accounting policies

#### Statement of accounting policies

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

#### Basis of Preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further & Higher Education 2007* (the SORP), *the Accounts Direction for 2013/14 financial statements, Companies Act 2006* and in accordance with applicable Accounting Standards.

#### Basis of Consolidation

The consolidated financial statements include the financial statements of the Association for the financial year to 31 July 2014. Intra group transactions have been eliminated and uniform accounting policies are applied across the group for the purposes of the consolidated financial statements.

#### Basis of accounting

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

#### Merger Policy

Merger Accounting is used where the conditions of Financial Reporting Standard 6 – Business Combinations are met. Merger Accounting is used only for those business combinations that are not in substance an acquisition of one entity by another, but are the formation of a new reporting entity as a substantially equal partnership where no party is dominant. Where it is deemed appropriate Merger Accounting is applied to represent the combined group as though it had always been one entity, including restatement of prior period comparatives.

On 10th January 2014 the assets and liabilities of Coleg Harlech WEA North were transferred to WEA Cymru (formerly The Workers' Educational Association South Wales) at book value. This combination has been accounted for using Merger Accounting. As a result the activities of both entities are included for the whole year and the comparative figures include the results of both entities as if they had been one entity.

#### Going Concern

The activities of the Association, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the Association, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

At the year end the Association has no outstanding loans with bankers.

The Association has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

## Accounting policies (continued)

### Recognition of income

The recurrent grant from the Welsh Government (WG) represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

WG recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the WG following the year end, and the results of any funding audits.

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

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent the conditions of funding have been met or the extent of the completion of the contract or services concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

### Post retirement benefits

Retirement benefits to employees of the Association are provided by the Teachers' Pension Scheme (TPS), the Local Government Pension Scheme (LGPS) and for some former CHWEAN staff the Workers' Educational Association Pension Scheme (WEAPS). The TPS and LGPS are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS). WEAPS is also a defined benefit scheme with the assets of the scheme being held in separate trustee administered funds.

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

The 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 scheme expected to arise from employee service in the period is charged to the operating surplus. 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 total recognised gains and losses.

The WEAPS liabilities and contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method, so as to spread the cost of pensions over employee's working lives with the Association in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll under Financial Reporting Standard 17 (FRS 17). Under the definitions set out in the FRS 17 Retirement Benefits, the WEAPS is a multi-employer pension scheme. The Association is unable to identify its share of the underlying assets and liabilities of the scheme and they therefore do not appear on the Balance Sheet of the Association.

## Accounting policies (continued)

### Enhanced Pensions

The Association did not incur any of these costs during the year.

### Tangible fixed assets

#### a. Land & Buildings

Land and buildings are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Building improvements made are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the Association of between 20 and 50 years. The Association has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, 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.

#### b. Subsequent expenditure on existing tangible fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period in which it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

#### c. Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Inherited equipment is depreciated on a straight line basis over its remaining useful economic life to the Association. All other equipment is depreciated over its useful economic life using the straight line basis as follows:

- |                      |  |
|----------------------|--|
| • General Equipment  | 20% per annum on a straight line basis |
| • Computer Equipment | 25% per annum on a straight line basis |
| • Motor Vehicles     | 20% per annum on a straight line basis |

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

#### d. Property improvements

There has been no significant expenditure incurred on property improvements during the year.

## **Accounting policies (continued)**

### **Leased assets**

The Association only has operating leases which are charged on a straight line basis over the lease term to the income and expenditure account.

### **Investments and Endowments**

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

The net endowment income is treated as a new endowment in the year it is recognised.

The general purpose endowments are classified as an investment in the balance sheet in line with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 ( the SORP).

### **Stocks**

The Association does not hold stock.

### **Foreign currency translation**

Income and expenditure transactions denominated in foreign currencies are translated at the rates of exchange ruling at the date of transaction.

### **Taxation**

The Association is an exempt charity and benefits by being broadly exempt from corporation tax on income it receives from tuition fees, interests and rents. The Association is also exempt in respect of Value Added Tax on all services it provides and therefore unable to recover input VAT it suffers on goods and services purchased.

### **Liquid resources**

Liquid resources include sums on short-term deposits with recognised banks.

### **Provisions**

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

### **Agency costs**

The Financial Contingency Fund grant from DFES is available solely for students. In the majority of cases the Association acts only as a paying agent. In these circumstances the grants and related expenditure are excluded from the Income and Expenditure account. The income and expenditure consolidated in the Association's financial statements relate to the provision of transport and nursery care by the Association on students' behalf as well as the staff costs of administering the fund.

**Notes to the accounts (continued)**

	Year Ended 31 July 2014		Year Ended 31 July 2013	
	£'000	£'000	£'000	£'000
<b>2 Welsh Government (WG) Income</b>				
WG Recurrent grant		4,306		4,539
Release of deferred capital grants (note 23)		65		77
Release of deferred Capital Maintenance Grants (note 23)		21		56
WG non recurrent grants		368		352
Merger (note 33)		255		0
<b>TOTAL WG GRANTS</b>		<b>5,015</b>		<b>5,025</b>
<b>3 TUITION FEES AND EDUCATION CONTRACTS</b>				
Tuition Fees		449		413
Summer Schools and Short Courses		54		47
Other inc exam fees, residential schools		35		24
<b>TOTAL TUITION FEES AND EDUCATION CONTRACTS</b>		<b>538</b>		<b>484</b>
There were no Education contracts during the periods above.				
<b>4 OTHER GRANTS AND CONTRACTS</b>				
European Social Fund	830		1,038	
<b>Other grants:-</b>				
Digiskills	76		0	
Jobs Growth Wales	3		184	
Other Grants and Contracts	299		317	
		<b>1,208</b>		<b>1,539</b>
<b>5 OTHER INCOME</b>				
Release of capital for non DfES grants (note 23)	26		24	
Catering and residence	(4)		84	
Individual Subscriptions, Affiliations, Donations	4		5	
Other miscellaneous	93		110	
Welsh / Bilingualism	55		64	
CCLN/VLN Partnership	47		7	
Course cost recovery / room rental	110		89	
		<b>331</b>		<b>383</b>
<b>TOTAL OTHER INCOME</b>		<b>1,539</b>		<b>1,922</b>
<b>6 Branch income</b>		<b>1</b>		<b>15</b>
<b>7 INVESTMENT INCOME</b>				
Interest receivable		3		1
		<b>3</b>		<b>1</b>
<b>8 Profit on sale of Fixed Assets</b>		<b>417</b>		<b>1</b>
<b>9 Pension finance income</b>		<b>66</b>		<b>-</b>

**Notes to the accounts (continued)****10 STAFF COSTS**

The estimated average weekly number of persons (including senior post holders) employed by the Association during the year, described as full-time equivalents, was:

		<b>2014</b>	<b>2013</b>
		<b>No.</b>	<b>No.</b>
Teaching staff	Teaching Staff	52	89
Non teaching staff	Other staff	109	133
		<u>161</u>	<u>222</u>
		<b>Year Ended</b>	<b>Year Ended</b>
		<b>31 July 2014</b>	<b>31 July 2013</b>
		<b>£'000</b>	<b>£'000</b>
<b>Staff Costs for the above persons</b>			
Wages and Salaries		4,026	4,564
Social security costs		254	276
Other pension costs (including FRS 17 adjustments (note 40))		574	554
		<u>4,854</u>	<u>5,394</u>
<b>Payroll sub-total</b>		<b>4,854</b>	<b>5,394</b>
Contracted out staffing services		0	0
		<u>4,854</u>	<u>5,394</u>
Exceptional Redundancy / restructuring costs		155	54
		<u>5,009</u>	<u>5,448</u>
Pension Deferment		27	26
		<u>5,036</u>	<u>5,474</u>
<b>Total Staff costs</b>		<b>5,036</b>	<b>5,474</b>

The number of senior post-holders and other staff who received emoluments including pension contributions and benefits in kind, excluding redundancy payments, in the following ranges was:

	<b>No. Senior post-holders</b>		<b>No. other staff</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
£70,001 to £80,000	1	2	-	-
£80,001 to £90,000	1	-	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000 *	1	1	-	-
	<u>3</u>	<u>3</u>	<u>0</u>	<u>0</u>

\* This senior post-holder has been banded to reflect the annual contracted salary. However the post-holder left the organisation during the year (2014). The emoluments disclosed in Note 11 reflect the actual emoluments paid to this senior post-holder for the period.

**Notes to the accounts (continued)****11 SENIOR POST-HOLDERS' EMOLUMENTS**

Senior post-holders are defined as the Chief Executive Officer (CEO) from 11/1/14, Principal to 10/1/14 and holders of other senior posts whom the Governing Body has selected for the purposes of the articles of government of the Institution relating to the appointment and promotion of staff who are appointed by the Governing Body.

	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>
The number of senior post-holders including CEO and Principal:	<u>3</u>	<u>3</u>
Senior post-holders' emoluments are made up as follows:	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	160	220
Redundancy Costs	58	0
Block Car allowance	2	1
Benefits in Kind	0	0
Employer's Pension Contributions	<u>20</u>	<u>36</u>
<b>Total emoluments</b>	<b><u>240</u></b>	<b><u>257</u></b>

The above emoluments are the actual emoluments paid to the senior post-holders and include amounts payable to the CEO (2014) and the Principal (2013) - being the highest paid senior post-holder for the period stated:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	68	87
Block Car allowance	1	0
Benefits in Kind	0	0
Employer's Pension Contributions	<u>15</u>	<u>22</u>
<b>Total emoluments</b>	<b><u>84</u></b>	<b><u>109</u></b>

The pension contributions in respect of the CEO and senior post-holders are in respect of employer's contributions to the Local Government Pension Scheme and WEA Pension Trust and are paid at the same rate as for other employees.

The members of the Governing Body are not paid for their duties. Governors including staff governors do not receive any payment from the Association for their duties as governors, other than the reimbursement of travel and subsistence.

**Notes to the accounts (continued)**

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
<b>12 OTHER OPERATING EXPENSES</b>		
Teaching costs	556	660
Non teaching costs		
- Teaching support services	235	209
- Other support services	57	33
- Administration and central services	529	301
- Marketing & Publicity	89	78
- Premises Costs	468	600
- Consultancy	10	-
- Other expenses	284	301
- Catering and Residence	2	52
- Bad debts	61	-
<b>TOTAL</b>	<b><u>2,291</u></b>	<b><u>2,232</u></b>

Included within other costs are exceptional costs relating to the merger of £255k.

<b>Branch Expenditure</b>	<b><u>0</u></b>	<b><u>16</u></b>
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**Other operating expenses include:**

Auditors' Remuneration:

External audit	Finance	47	24
	Other	<u>7</u>	<u>6</u>
		<b><u>54</u></b>	<b><u>29</u></b>
Internal audit		<b><u>19</u></b>	<b><u>17</u></b>

**13 INTEREST AND OTHER FINANCE COSTS**

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Pension and Finance Costs	<b><u>0</u></b>	<b><u>3</u></b>

**14 TAXATION**

The trustees do not believe the Association, as a registered charity, was liable for any corporation tax arising out of its activities during this year.

**15 SURPLUS/(DEFICIT) ON CONTINUING OPERATIONS FOR THE PERIOD**

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
The Association's surplus for the year	<b><u>69</u></b>	<b><u>20</u></b>

## Notes to the accounts (continued)

16 TANGIBLE FIXED ASSETS	Freehold Land & Buildings £'000	Property Improvements £'000	Equipment £'000	Furniture, Fixtures & Fittings £'000	Motor Vehicles £'000	Total £'000
Cost at 1 August 2013	3,083	79	2,182	68	13	5,425
Additions	0	0	69	0	0	69
Disposals	(347)	0	(16)	0	(6)	(369)
<b>At 31 July 2014</b>	<b>2,736</b>	<b>79</b>	<b>2,235</b>	<b>68</b>	<b>7</b>	<b>5,125</b>
<b>Depreciation</b>						
As at 1 August 2013	1,693	79	2,062	58	11	3,892
Disposals	(171)	0	(10)	0	(6)	(187)
Charge for period	127	0	65	3	2	197
<b>As at 31 July 2014</b>	<b>1,649</b>	<b>79</b>	<b>2,117</b>	<b>61</b>	<b>7</b>	<b>3,913</b>
<b>Net Book Value at 31 July 2014</b>	<b>1,087</b>	<b>0</b>	<b>118</b>	<b>7</b>	<b>0</b>	<b>1,212</b>
<b>Net Book Value at 31 July 2013</b>	<b>1,390</b>	<b>0</b>	<b>120</b>	<b>10</b>	<b>2</b>	<b>1,522</b>

The Association's land and property assets derived from CHWEAN were valued by a firm of chartered surveyors on 22 May 2008 at £2,195,000 market value in accordance with Royal Institute of Chartered Surveyors' valuation standards. However the transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly the book values on transition to FRS 15 have been retained.

## 17 Investments

	Year Ended 31.7.14	Year Ended 31.7.13
Balance as at 1 August	1,010	539
Purchases of assets	316	1,000
Sales of assets	(332)	(750)
Revaluation of endowment assets	0	142
Appreciation of endowment asset investments	5	68
Movement in cash balances	19	11
	<u>1,018</u>	<u>1,010</u>
Represented by:		
Equities	835	845
Cash and deposits	33	15
Land	150	150
	<u>1,018</u>	<u>1,010</u>
	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000

## 18 DEBTORS: Amounts falling due within one year

Trade debtors	553	897
Prepayments and accrued income	221	278
	<u>774</u>	<u>1,176</u>

**Notes to the accounts (continued)**

19	<b>CREDITORS: Amounts falling due within one year</b>	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
	Bank Overdraft (uncleared items at year end)		
	Trade creditors and accruals	1,026	947
	HMRC creditors	81	46
	Payments received in advance	313	305
		<u>1,420</u>	<u>1,298</u>

20	<b>CREDITORS: Amounts falling after more than one year:</b>		
	Bank Loans	<u>0</u>	<u>0</u>

21	<b>Bank loans and overdrafts</b>	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
	Bank loans and overdrafts are repayable as follows:-		
	In 1 year or less	0	0
	Between two and five years	0	0
	In five years or more	0	0
	<b>Total</b>	<u>0</u>	<u>0</u>

The Association operates a daily transfer between current account and deposit account (showing an overdraft at year end) to ensure the current account does not become overdrawn and maximising interest on deposit.

22	<b>Provisions for Liabilities and charges</b>	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
	<b>Enhanced Pension Provision</b>		
	At 1 August 2013	107	121
	Expenditure in the year	(10)	(14)
	At 31 July 2014	<u>97</u>	<u>107</u>

The enhanced pension provision relates to the projected costs for 1 former member of Coleg Harlech staff that left its employment by arrangement prior to the merger with the WEA (North Wales) in 2001. Due to uncertainty over life expectancy it is not possible to profile the enhanced pension provision.

23	<b>DEFERRED CAPITAL GRANTS</b>	<b>Welsh</b>		<b>Total</b>
		<b>Other £'000</b>	<b>Government £'000</b>	<b>£'000</b>
	At 1 August 2013	145	537	682
	Capital Grants received	-	-	-
	Released to income & expenditure account	(26)	(86)	(112)
	<b>At 31 July 2014</b>	<u>119</u>	<u>451</u>	<u>570</u>

		<b>Welsh</b>		<b>Total</b>
		<b>Other £'000</b>	<b>Government £'000</b>	<b>£'000</b>
	At 1 August 2012	169	395	564
	Capital Grants received	-	25	-
	Prior Year Adjustments	-	250	250
	Released to income & expenditure account	(24)	(133)	(157)
	<b>At 31 July 2013</b>	<u>145</u>	<u>537</u>	<u>682</u>

## Notes to the accounts (continued)

## 24 ENDOWMENTS

	Period Ended 31 July 2014						Total £'000
	Works of Art Fund	Bursaries & Scholarships Fund	Hardship Fund	Books, Prizes & Learning	General Purposes Fund	Buildings Fund	
	£'000	£'000	£'000	£'000	£'000	£'000	
<b>At 1 August 2013 as previously stated</b>	-	196	-	780	34	-	1,010
Additional Legacy	-	-	-	-	-	-	-
Revaluation of Assets	-	-	-	-	-	-	-
Appreciation of Endowment Investments	-	2	-	2	1	-	5
Investment Income for year	-	2	-	16	2	-	20
Draw down from Endowments	-	-	-	-	(14)	-	(14)
Investment Management Expenses	-	(1)	-	(2)	-	-	(3)
<b>At 31 July 2014</b>	-	<b>199</b>	-	<b>796</b>	<b>23</b>	-	<b>1,018</b>
<b>Split of Endowments</b>							
Endowments Investments	-	49	-	796	23	-	868
Endowments Fixed Assets	-	150	-	-	-	-	150
	-	<b>199</b>	-	<b>796</b>	<b>23</b>	-	<b>1,018</b>

	Period Ended 31 July 2013						Total £'000
	Works of Art Fund	Bursaries & Scholarships Fund	Hardship Fund	Books, Prizes and	General Purposes Fund	Buildings Fund	
	£'000	£'000	£'000	£'000	£'000	£'000	
<b>At 1 August 2012 as previously stated</b>	17	116	59	33	51	263	539
Additional Legacy	-	-	-	712	63	-	775
Asset Revaluation	-	142	-	-	-	-	142
Asset Disposal	-	-	-	-	-	-	-
Appreciation of Endowment Investments	-	9	5	28	5	21	68
Investment Income for year	-	3	1	10	1	7	22
Draw down from Endowments	(17)	(73)	(65)	-	(85)	(291)	(531)
Investment Management Expenses	-	(1)	-	(3)	(1)	-	(5)
<b>At 31 July 2013</b>	-	<b>196</b>	-	<b>780</b>	<b>34</b>	-	<b>1,010</b>
<b>Split of Endowments- 31/07/13</b>							
Endowments Investments	-	46	-	780	34	-	860
Endowments Fixed Assets	-	150	-	-	-	-	150
	-	<b>196</b>	-	<b>780</b>	<b>34</b>	-	<b>1,010</b>

## 25 REVALUATION RESERVE

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
<b>At 1 August</b>	271	363
Transfer from Revaluation Reserve to General Reserve in respect of:		
Depreciation on revalued assets	(41)	(42)
Prior period adjustment (note 40)	-	(50)
<b>At 31 July 2014</b>	<b>230</b>	<b>271</b>

## Notes to the accounts (continued)

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
<b>26 CASH AT BANK AND IN HAND</b>		
Cash	2	1
Deposit Account	919	337
Branch Bank Accounts	23	23
WAG Access Fund Account	21	23
Barclays Accounts	110	22
HSBC	3	3
Natwest	(1)	(1)
	<u>1,077</u>	<u>408</u>
<b>Special Fund Accounts:</b>		
Development Fund Account	122	122
Keith Evan's Fund Account-restricted	4	4
Alwyn Evan's Fund Account-restricted	6	6
Dil Llewellyn Fund Account-restricted	0	0
<b>TOTAL CASH IN BANK AND IN HAND</b>	<u><u>1,209</u></u>	<u><u>541</u></u>
<b>27 MOVEMENT ON GENERAL RESERVES</b>		
	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
<b>Income &amp; Expenditure Account Reserve</b>		
At 1 August	(573)	(884)
Surplus for the year on continuing operations	69	20
Actuarial gain/ (loss) in respect of pension scheme	(3)	488
Transfer to deferred income reserve - prior year adjustment (note 40)	0	(197)
	<u>(507)</u>	<u>(573)</u>
<b>Branch reserves</b>		
At 1 August	23	24
Movement for year	0	(1)
	<u>23</u>	<u>23</u>
<b>Development fund reserve</b>		
At 1 August	160	160
Movement for year	0	0
	<u>160</u>	<u>160</u>
<b>Total general reserve</b>	<u><u>(324)</u></u>	<u><u>(390)</u></u>
<b>Balance Represented by:</b>		
Pension reserve	(1,193)	(1,262)
Income and expenditure account reserve excluding pension reserve	869	872
<b>As at 31 July</b>	<u><u>(324)</u></u>	<u><u>(390)</u></u>
<b>Restricted Reserves</b>		
Keith Evan's Fund Account	4	4
Alwyn Evan's Fund Account	6	6
Dil Llewellyn Fund Account	0	0
<b>As at 31 July</b>	<u><u>10</u></u>	<u><u>10</u></u>

## Notes to the accounts (continued)

		Year Ended 31 July 2014	Year Ended 31 July 2013
		£'000	£'000
<b>28 RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>			
Surplus/(Deficit) on continuing operations after depreciation of assets		69	20
Depreciation		197	234
Deferred capital grants released to income		(112)	(157)
Revaluation depreciation		(41)	(42)
Profit on Sale of Fixed Assets		(417)	(1)
Deferred capital grant adjustments		0	(5)
Drawdown from endowments		(14)	(531)
FRS 17 Pension cost less contributions payable (note 39)		(6)	72
FRS 17 Pension finance (income) / costs		(66)	3
(Increase)/decrease in Stocks		-	6
(Increase)/decrease in debtors		403	(502)
Increase/(decrease) in creditors (excluding overdraft & bank loan)		124	(27)
Increase/(decrease) in provisions		(10)	(14)
Interest receivable		(3)	(1)
Interest payable		-	-
<b>Net cash inflow/(outflow) from operating activities</b>		<b>124</b>	<b>(946)</b>
<b>29 Returns on Investments and Servicing of Finance (RISF):</b>	Interest Received - Deposit account	1	1
	Interest Received - Development fund	-	-
	Other interest	2	0
	Income from Endowments	17	17
	Interest paid	-	-
	<b>Net cash inflow from RISF</b>	<b>20</b>	<b>18</b>
<b>30 Capital Expenditure:</b>	Payments to acquire equipment	(69)	(75)
	Deferred Capital Grant received	-	33
	Sale of Fixed Assets	599	115
	Payments to purchase endowment assets	(316)	(1,000)
	Receipts from sale of endowment assets	332	750
	Endowments received	-	775
		<b>546</b>	<b>598</b>
<b>31 Management of Liquid Resources:</b>	Drawdowns from endowments	0	0
	<b>Net cash inflow from management of liquid resources</b>	<b>0</b>	<b>0</b>
<b>32 Analysis of changes in net funds</b>		<b>1 August 2013</b>	<b>Cashflow</b>
		<b>£'000</b>	<b>£'000</b>
		<b>31 July 2014</b>	<b>£'000</b>
Cash in Hand and at bank*		530	669
Restricted funds		10	10
Endowment Asset investments		15	18
		<b>555</b>	<b>687</b>
Current Asset investment		1	-
<b>TOTAL excluding restricted reserves **</b>		<b>556</b>	<b>687</b>
		<b>1,242</b>	<b>1,243</b>

\* includes development reserve

\*\* These totals are subject to rounding corrections.

**Notes to the accounts (continued)****33 EXCEPTIONAL ITEM - Income and Expenditure relating to the merger**

To support the merger the Welsh Government have made funds available to contribute towards the cost of merger related activity. For the period ended 31 July 2014 the total funding utilised amounted to £255k.

As a result of the size and nature of this expenditure it is shown in the accounts as an exceptional item (Note 2).

**34 CAPITAL COMMITMENTS**

There are no capital commitments contracted for at year end.

**35 FINANCIAL COMMITMENTS**

At 31 July 2014 the Association had annual commitments under non-cancelable operating leases as follows:

	Year Ended 31 July 2014		Year Ended 31 July 2013	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Expiring within one year	30	4	38	2
Expiring between two and five years	78	8	76	5
Expiring in over five years	0	0	0	2
	<b>108</b>	<b>11</b>	<b>114</b>	<b>9</b>

**36 CONTINGENT LIABILITY**

Under the terms of the Financial Memorandum the Association is liable to repay to the Welsh Government (WG) any funds received if the Association fails to comply with any terms and conditions which were attached to the funds. The Welsh Government has indicated that not all conditions were complied with around the area of volume of delivery. However, the WG has not yet indicated what the potential repayment might be.

A provision has been made within these accounts for potential repayment, but the actual amount repayable cannot be quantified until the WG has completed its audit work later in the year.

The Association has also received European Funding during the year and previous years, which is subject to similar repayment provisions. The Governors consider it unlikely that any material liability will arise as a result of the repayment provisions attaching to these grants.

**37 RELATED PARTIES**

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

The total expenses paid to or on behalf of the Governors during the year was £4,723; 39 governors (2012/13: £2,264; 29 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

3 Governors received remuneration from the Association during the year for services to the value of £2,307 (2013: 3 Governors, £603).

**Caia Park Partnership Ltd** - the Chief Officer is Alison Hill, who is a governor of the Association. It is a community development organisation in Wrexham, whose accommodation is used for the Association's educational provision and as an area office.

Purchase transactions in the period amounted to £5,538 (2013: £24,854)

Income transactions in the period amounted to £1,800 (2013: £9,700).

As at 31/7/14 there was a balance of £11,710.64 owed to Caia Park Partnership Ltd (2013: £7,672.24).

## Notes to the accounts (continued)

### 38 AMOUNTS DISBURSED AS AGENT

#### a) Financial Contingency Fund (FCF)

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
At 1 August	3	4
Adjustment from previous year	(1)	(1)
Underspend at year end returned to WG	0	(4)
WG Grants	59	59
Interest earned	-	0
	<u>61</u>	<u>59</u>
Paid to third party *	22	16
Disbursed to students **	37	38
Other including admin costs	2	2
<b>Balance unspent as at 31 July,</b>	<u><u>0</u></u>	<u><u>3</u></u>
<b>included in creditors</b>		

Welsh Government FCF grants are available solely for eligible students.

\* Where the Association has paid a third party, the related Income and Expenditure has been consolidated in the Association's financial statements.

\*\* Where the Association acts as a paying agent the grants and related disbursements have been excluded from the Income and Expenditure account.

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>b) Bursaries</b>		
At 1 August	(23)	-
Received in Year	<u>36</u>	<u>35</u>
	13	35
<b>Less disbursements in Year:</b>		
Long Course Bursaries	4	28
Short Course Bursaries	3	24
Student Grant Officer	<u>-</u>	6
	<u>7</u>	<u>58</u>
<b>At 31 July</b>	<u><u>6</u></u>	<u><u>(23)</u></u>

The WG Coleg Harlech Bursary Fund is administered by the Association on behalf of WG, with the Association acting as the paying agent. The bursaries are therefore excluded from the Income and Expenditure account, except for the grant received by the Association to cover administration costs relating to the grant.

## Notes to the accounts (continued)

### 39 PENSION AND SIMILAR OBLIGATIONS

The Association's employees belong to two principal pension schemes, The Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and The Local Government Pension Scheme (LGPS) for non-teaching staff which is managed by City and County of Cardiff and Gwynedd Council. Both are defined benefit schemes.

Total pension cost for the year	2013/14		2012/13	
	£'000	£'000	£'000	£'000
Teachers Pension Scheme: contributions paid		153		138
WEA Pension Trust Scheme		33		36
Local Government Pension Scheme:				
Contributions paid Cardiff & Vale of Glamorgan	223		182	
Contributions paid Gwynedd	171		126	
FRS 17 charge Cardiff & Vale	38		6	
FRS 17 charge Gwynedd	<u>(44)</u>		<u>66</u>	
Charge to the Inc & Exp Account (staff costs)		388		380
Enhanced pension charge to Inc & Exp Account (Staff costs)		-		-
<b>Total Pension Cost for Year</b>		<b><u>574</u></b>		<b><u>554</u></b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2013.

Contributions amounting to £66,351 (2013: £58,274) were payable to the scheme at 31st July and are included within creditors.

#### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

#### The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

## Notes to the accounts (continued)

### 39 PENSION AND SIMILAR OBLIGATIONS (continued)

#### Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. The last formal actuarial valuation undertaken for the Teachers' Pension Scheme was completed in 2004. Consequently, a formal actuarial valuation would have been due by 2008. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

Approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate (SCR) is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

As noted, the last formal valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years. This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced - effective for the first time for the 2008 valuation - a 14% cap on employer contributions payable.

#### Scheme Changes

From 1 April 2012 to 31 March 2014, the employee contribution rate ranged between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary, with Employer contributions set at 14.1%. With effect from 1 April 2014 the employee contribution rates were increased and ranged between 6.4% and 12.4%, depending on a member's Full Time Equivalent salary, with Employer contributions set to increase to 16.4% from September 2015.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

The pension costs paid to TPS in the year amounted to £153,299 (2013: £137,695).

#### FRS 17

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

Accordingly, the Association has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The Association has set out above the information available on the scheme and the implications for the Association in terms of anticipated contribution rates.

**Notes to the accounts (continued)****39 PENSION AND SIMILAR OBLIGATIONS (continued)****Local Government Pension Scheme**

The Local Government Pension Scheme (LGPS) is a funded defined-benefit scheme, with the assets held in separate funds administered by City and County of Cardiff (CCC) and Gwynedd Council (GC). The total contribution made for the year ended 31 July 2014 was £493K of which employer's contributions totalled £394K (which included £50k capital cost of early retirement) and employees' contributions totalled £99K. The agreed contribution rates for future years are 22.3% for Cardiff & Vale of Glamorgan LGPS and 19.1% for Gwynedd LGPS for employers and range from 5.5% to 7.5% for employees, depending on salary.

**FRS 17 - Cardiff & Vale of Glamorgan LGPS****Principal Financial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2014 by a qualified independent actuary:

	<b>At 31 July 2014 (% p.a.)</b>	<b>At 31 July 2013 (% p.a.)</b>
Discount rate for liabilities	4.1	4.6
RPI Inflation	3.2	3.7
CPI Inflation	2.2	2.8
Rate of increase to pensions in payment	2.2	2.8
Rate of revaluation of pension accounts	2.2	n/a
Rate of increase to deferred pensions	2.2	2.8
Rate of general increase in salaries	3.2	4.7

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. Sample life expectancies resulting from the mortality assumptions are:

	<b>At 31 July 2014 (years)</b>	<b>At 31 July 2013 (years)</b>
<b>Retiring today</b>		
Male	23.7	24.0
Female	26.6	26.8
<b>Retiring in 20 years</b>		
Male	26	25.7
Female	29	28.8

The Association's split of the assets for the Fund and the assumed rates of return adopted by the employer for the purposes of FRS 17 were:

	<b>Long-Term rate of return expected at 31 July 2014 (% p.a.)</b>	<b>Estimated Asset Split at 31 July 2014 (%)</b>	<b>Long-Term rate of return expected at 31 July 2013 (% p.a.)</b>	<b>Estimated Asset Split at 31 July 2013 (%)</b>
Equities	7.5	77.8	7.8	77.8
Property	6.8	5.7	7.3	5.7
Government bonds	3.2	7.4	3.3	7.4
Corporate bonds	3.7	8.4	4.0	8.4
Cash	1.1	0.7	0.9	0.7
Other	7.5	0.0	7.8	0.0
<b>Total</b>	<b>6.8</b>	<b>100.0</b>	<b>7.1</b>	<b>100.0</b>

A building block approach is used to determine the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at the accounting date.

**Notes to the accounts (continued)****39 PENSION AND SIMILAR OBLIGATIONS (continued)****Local Government Pension Scheme - Cardiff & Vale of Glamorgan LGPS (continued)****Reconciliation of funded status to Balance Sheet**

	<b>For year ending 31 July 2014 £'000</b>	<b>For year ending 31 July 2013 £'000</b>
Fair value of assets	2,830	2,412
Present value of funded liabilities	2,865	2,863
<b>Pension asset / (liability) recognised on the Balance Sheet</b>	<b>(35)</b>	<b>(451)</b>
<b>Analysis of the amount charged to Income and Expenditure account</b>	<b>£'000</b>	<b>£'000</b>
Current service cost	261	188
Past service cost	-	-
Total operating charge	<b>261</b>	<b>188</b>
<b>Analysis of pension finance income / (costs)</b>	<b>£'000</b>	<b>£'000</b>
Expected return on pension scheme assets	176	121
Interest on pension liabilities	(138)	(103)
<b>Pension finance income/ (costs)</b>	<b>38</b>	<b>18</b>
<b>Actuarial gain recognised in the Statement of Total Recognised Gains and Losses (STRGL)</b>	<b>£'000</b>	<b>£'000</b>
Actuarial gains/(losses) on pension scheme assets	(18)	269
Actuarial gains/(losses) on scheme liabilities	434	(161)
<b>Actuarial gain recognised in STRGL</b>	<b>416</b>	<b>108</b>
<b>Movement in surplus / (deficit) during the year</b>	<b>£'000</b>	<b>£'000</b>
Surplus/(Deficit) in scheme at 1 August	(451)	(571)
<b>Movement in year:</b>		
Current service costs	(261)	(188)
Contributions by Employer	223	182
Past service costs	0	0
Curtailments/Settlements	0	0
Other pension finance (costs) / income	38	18
Actuarial gain/(loss)	416	108
<b>Surplus/(Deficit) in scheme at 31 July</b>	<b>(35)</b>	<b>(451)</b>
<b>Actual Return on Assets</b>	<b>£'000</b>	<b>£'000</b>
Expected return on assets	176	121
Actuarial gain / (loss) on assets	(18)	269
<b>Actual return on assets</b>	<b>158</b>	<b>390</b>

**Notes to the accounts (continued)****39 PENSION AND SIMILAR OBLIGATIONS (continued)****Local Government Pension Scheme - Cardiff & Vale of Glamorgan LGPS (continued)****Asset and Liability Reconciliation**

Reconciliation of Liabilities	year ending 31 July 2014 £'000	year ending 31 July 2013 £'000
<b>Opening present value of liabilities</b>	<b>2863</b>	<b>2324</b>
Current Service Cost	261	188
Interest cost	138	103
Employee contributions	65	52
Actuarial (gain) / loss *	(434)	161
Net Benefits paid out #	(28)	35
Past Service cost	0	0
Net increase in liabilities from disposals and acquisitions	0	0
Curtailments and settlements	0	0
<b>Liabilities at end of period</b>	<b><u>2865</u></b>	<b><u>2863</u></b>

\* includes changes to the actuarial assumptions

# includes an approximate allowance for the expected cost of death in service lump sums.

Reconciliation of Assets	year ending 31 July 2014 £'000	year ending 31 July 2013 £'000
<b>Opening fair value of assets</b>	<b>2412</b>	<b>1753</b>
Expected return on assets	176	121
Actuarial gain/(loss) on assets	(18)	269
Employer contributions	223	182
Employee contributions	65	52
Net Benefits paid out #	(28)	35
Settlements	0	0
<b>Closing fair value of assets</b>	<b><u>2830</u></b>	<b><u>2412</u></b>

# includes an approximate allowance for the expected cost of death in service lump sums.

**Deficit contributions**

The Association has entered into an agreement with the LGPS to make additional contributions of £5,400 (2015), £5,600 (2016) and £5,800 (2017) in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

**History of experience gains and losses**

	For year ending 31 July			
	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Difference between the expected and actual return on scheme	(18)	269	(104)	198
Experience gains/(losses) on scheme liabilities #	434	(161)	(158)	52
Total amount recognised in STRGL	416	108	(262)	203

# This item consists of gains / (losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

## Notes to the accounts (continued)

### 39 PENSION AND SIMILAR OBLIGATIONS (continued)

#### FRS 17 - Gwynedd LGPS

##### Financial Assumptions

	At 31 July 2014 (% p.a.)	At 31 July 2013 (% p.a.)
Discount rate for liabilities	4.0	4.6
Rate of increase to pensions in payment	2.7	2.8
Expected Return on Assets	5.9	5.8
Rate of general increase in salaries *	4.5	5.1

\* Salary increases are assumed to be 1% p.a. until 31 March 2016 reverting to the long term assumption shown thereafter.

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

	At 31 July 2014 (years)	At 31 July 2013 (years)
<b>Retiring today</b>		
Male	22.0	20.5
Female	24.0	23.0
<b>Retiring in 20 years</b>		
Male	24.4	23.3
Female	26.6	25.6

The Association's split of the assets (valued at estimated bid values) and liabilities in the scheme and the assumed rates of return were:

	Long-Term rate of return expected at 31 July 2014 (% p.a.)	Value at at 31 July 2014 £'000	Long-Term rate of return expected at 31 July 2013 (% p.a.)	Value at at 31 July 2013 £'000
Equities	6.6	3,578	6.4	3,306
Property	4.7	435	4.6	386
Bonds	3.3	725	3.4	515
Cash	3.6	97	3.4	86
<b>Total market value of assets</b>		<b>4,835</b>		<b>4,293</b>
Present value of scheme liabilities				
- Funded		(5,991)		(5,102)
- Unfunded		(2)		(2)
<b>Surplus/(deficit) in scheme</b>		<b>(1,158)</b>		<b>(811)</b>

## Notes to the accounts (continued)

### 39 PENSION AND SIMILAR OBLIGATIONS (continued)

#### FRS 17 - Gwynedd LGPS (continued)

##### Analysis of the amount charged to Income and Expenditure account

	2014 £'000	2013 £'000
Current service cost	127	131
Past service cost	-	-
<b>Total operating charge</b>	<b>127</b>	<b>131</b>

##### Analysis of pension finance income / (costs)

	£'000	£'000
Expected return on pension scheme assets	268	174
Interest on pension liabilities	(240)	(195)

##### Pension finance income/ (costs)

<b>28</b>	<b>(21)</b>
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##### Actuarial gain recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	£'000	£'000
Actuarial gains/losses on pension scheme assets	(674)	487
Actuarial gains/losses on scheme liabilities	255	(107)

##### Actuarial gain recognised in STRGL

<b>(419)</b>	<b>380</b>
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##### Movement in surplus / (deficit) during the year

	£'000	£'000
Surplus/(Deficit) in scheme at 1 August	(811)	(1,104)
<b>Movement in year:</b>		
Current service costs	(127)	(131)
Contributions by Employer	171	126
Past service costs	0	0
Curtailments/Settlements	0	(61)
Other pension finance (costs) / income	28	(21)
Actuarial gain/(loss)	(419)	380

##### Surplus/(Deficit) in scheme at 31 July

<b>(1,158)</b>	<b>(811)</b>
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##### Actual Return on Assets

	£'000	£'000
Expected return on assets	268	174
Actuarial gain / (loss) on assets	(674)	(107)

##### Actual return on assets

<b>(406)</b>	<b>67</b>
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## Notes to the accounts (continued)

### 39 PENSION AND SIMILAR OBLIGATIONS (continued)

#### FRS 17 - Gwynedd LGPS (continued)

##### Asset and Liability Reconciliation

Reconciliation of Liabilities	year ending 31 July 2014 £'000	year ending 31 July 2013 £'000
<b>Opening present value of liabilities</b>	<b>5104</b>	<b>4718</b>
Current Service Cost	127	131
Interest cost	240	195
Employee contributions	34	38
Actuarial (gain) / loss	674	107
Net Benefits paid out	(186)	(146)
Past Service cost	0	0
Net increase in liabilities from disposals and acquisitions	0	0
Curtailments and settlements	0	61
<b>Liabilities at end of period</b>	<b><u>5993</u></b>	<b><u>5104</u></b>

Reconciliation of Assets	year ending 31 July 2014 £'000	year ending 31 July 2013 £'000
<b>Opening fair value of assets</b>	<b>4293</b>	<b>3614</b>
Expected return on assets	268	174
Actuarial gain/(loss) on assets	255	487
Employer contributions	171	126
Employee contributions	34	38
Net Benefits paid out	(186)	(146)
Settlements	0	0
<b>Assets at end of period</b>	<b><u>4,835</u></b>	<b><u>4293</u></b>

##### History of experience gains and losses

	For year ending 31 July			
	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Difference between the expected and actual return on scheme	(255)	487	(227)	208
Experience gains/(losses) on scheme liabilities	114	-	54	(54)
Total amount recognised in STRGL	(419)	380	(698)	441

### 40 PRIOR PERIOD ADJUSTMENT

Post merger between the two organisations, it was discovered that a fundamental error had been made in the accounting for release of deferred income in the financial statements of CHWEAN, covering the period 2003 to 2010.

During this period, £250,000 of deferred income had been released to general and revaluation reserves, in excess of the figure that should have been released under the accounting policies.

In accordance with Generally Accepted Accounting Policies, this has been adjusted for in the comparative period in these financial statements.