

## Report and Financial Statements Year ended 31st July 2020

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## Strategic Report

### 1. NATURE, OBJECTIVES AND STRATEGIES

The Council present their report and the audited financial statements for the year ended 31 July 2020.

With a history of providing quality education spanning 100 years, Addysg Oedolion Cymru | Adult Learning Wales, the National Community College, serves the adult population of Wales with inspirational, life-changing learning opportunities.

Drawing on our strong partnerships, our vision sees us at the forefront for growth in lifelong learning, prioritising opportunities for those who are hardest to reach, empowering and upskilling people and delivering equal access to Welsh medium provision. We are committed to supporting health and wellbeing initiatives, developing strong resilient communities and promoting active democracy.

The Covid-19 pandemic has presented many challenges in 2020, and whilst there has been disruption and a decline in curriculum delivery, we have grasped the opportunities afforded to us to grow our digital offer. This has meant a significant shift to on-line delivery and learner support services. With the uncertainty that this virus brings, this is an area we will continue to develop and we have restructured accordingly to meet new and emerging priorities as part of our future proofing strategy.

Alongside this, we are working within a continually challenging economic environment, where reliance on public funding alone is unsustainable. The labour market is changing fast in Wales and there is a need for people to learn new skills, particularly those associated with digital technologies. The landscape requires us to work collaboratively and demonstrate intelligent business efficiency in order to expand our reach and promote the value of adult community learning. Enabling the working poor to upskill is our passion and priority, as well as helping to tackle broader poverty issues, such as unemployment and homelessness.

It is crucial to nurture the skill of learning over a lifetime to secure informed, flexible, intelligent and healthy workforces and communities. The economic, social and civic advantages of developing a truly lifelong learning society in Wales will be profound; giving us the cutting edge that we need for our communities to be resilient, for our economy to adapt to changing circumstances and for our democracy to thrive.

Our strategic focus this year is to continue to raise standards, deliver areas of growth and invest in continuous development of our workforce.

#### 1.1 Legal status

Addysg Oedolion Cymru | Adult Learning Wales (AOC|ALW), formerly known as WEA YMCA CC Cymru, is a charity registered in England and Wales (number 1071234) and a company limited by guarantee registered in England and Wales (number 3109524). The Organisation was formed from a merger of WEA Cymru and YMCA Wales CC on 1<sup>st</sup> August 2015.

#### 1.2 Purpose

The Articles of Association state that the Organisation's object is 'to promote education, in particular for young people and adults, within Wales' and it carries out its purpose with public benefit in mind.

#### 1.3 Vision and Mission Statement

##### Our Vision:

Increasing the social, economic and personal impact of adult community learning in Wales through co-ordination and development of national, regional and local partnerships; delivering equal access to Welsh medium provision.

**Our Mission:**

Providing inspiring learning opportunities for adults who are hardest to reach in communities and workplaces throughout Wales; empowering people to develop skills and knowledge to realise their full potential and help build strong resilient communities through active citizenship and democratic learning.

**Our Goals:**

**1. Excellent teaching and learning**

- Deliver the highest quality learning programmes, prioritising those who are hardest to reach and providing equal access to Welsh medium provision
- Promote and support inspirational teaching ensuring that learners realise their full potential
- Invest in and develop digital technologies to inspire and generate innovative teaching practices
- Deliver excellent support services, ensuring learners have the support and direction needed for further progression.

**2. Raising the profile and importance of adult community learning**

- Ensure active leadership and governance is in place that promotes adult community learning and challenges us to continuously improve
- Promote our values and ethos, ensuring that we continue to raise our profile as the voice of adult community learning in Wales
- Draw on our membership and supporters to campaign for improved investment in adult community learning so that we can widen our reach
- Assess the impact of adult community learning and demonstrate its value so as to influence policy.

**3. Strong collaboration and engagement**

- Ensure we place our learners at the heart of everything we do, listening to them and acting on their feedback to continuously improve our offer
- Develop employer engagement to upskill working adults in support of initiatives which help to tackle in-work poverty
- Co-ordinate and develop national, regional and local partnerships to strengthen adult learning opportunities
- Strengthen our membership and branch activities to meet community learning needs, build health and wellbeing initiatives, strong resilient communities and the promotion of active democracy.

**4. Responsible growth**

- Pursue additional sources of funding to generate investment in learning resources and growth in our curriculum
- Commit to sustainable development, ensuring we are operating in a healthy, safe and environmentally conscious way
- Ensure that the growth in our provision is all-inclusive, providing equality of opportunity in all that we do to meet social, economic and personal learning opportunities
- Promote a culture of openness and transparency, committed to valuing and investing in staff where our learning organisation ethos promotes ideas and empowers people to make a positive input into future growth.

## 1.4 Policy Context

In terms of policy, the national strategy '*Prosperity for All*' by the Welsh Government (WG) sets out key themes for delivery in Wales including a commitment to improved education, training, and lifelong learning. This is underpinned by the programme for Government 2016-2021 '*Taking Wales Forward*' and supports the long-term focus on preparing for future generations as set out in the *Well-being of Future Generations Act (2015)*. With a clear remit in place to improve health and wellbeing, education and training, skills, and employment prospects, we have an important contribution to make to support the success of this agenda.

The AOC|ALW [\*Strategic Plan 2018-21\*](#) sets out priorities which strongly match the ambitions of the Welsh Government's 2017 **Adult Learning in Wales** policy. The policy highlights the strengths of partnership working and Third Sector engagement - a real strength within our organisation. With a focus on supporting those in greatest need of help, the policy expects Adult Community Learning (ACL) providers to prioritise key areas: essential, digital and employability skills, a focus on older learners, social engagement, 'hook' courses and engagement activity, together with Welsh medium provision.

ACL offers learners opportunities to acquire knowledge and skills through a diverse range of courses including both accredited and non-accredited learning. Our courses delivered to adults across Wales aim to fulfil WG's stated purpose for ACL:

- of taking first steps into learning
- providing skills for life and embedding basic skills
- providing skills for independent living and skills for work
- contributing to personal development and wellbeing, and
- developing active citizenship.

The WG vision for Wales to develop a thriving Welsh language used in everyday life requires opportunities and support for people to both learn the language and learn through the language: ACL also has a role to play in contributing to this strategic aim.

Educational attainment/growth and jobs are two of the four priorities for Wales set by WG (2015). Progression through learning performs a vital element of this as individuals endeavour to acquire the skills needed to succeed in the workplace. They are also a key component of WG policy aiming to succeed in breaking the link between poverty and attainment. The potential impact delivered by ACL provision also links closely to key goals outlined in the *Well-being of Future Generations Act (2015)* including the aims of working together to ensure a more equal and prosperous Wales, a country of cohesive communities and a thriving Welsh language.

The Minister for Education, who is keen to develop a Welsh right to lifelong learning, has directed her officials to introduce a national body to oversee all community based learning in Wales. It is important that we make strong representations and position ourselves as the national lead as we continue to work proactively with Ministers, Welsh Government Officials, Local Authorities, Adult Community Learning (ACL) partnerships and other stakeholders across Wales. Our approach is set out in our ACL National Body strategy document.

## 1.5 Governance and Management

The Organisation's governing body, its Council, plays a full part in approving the Strategic Plan and in monitoring its delivery. All members of Council are also members of 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 detailed information for scrutiny by 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 on to some Committees to address these gaps as far as possible.

## 1.6 Financial objectives

The Organisation's financial objectives are:

- to achieve an annual operating surplus (defined as a surplus prior to FRS 102 non cash pension costs)
- to pursue alternative sources of funding, on a selective basis, consistent with the Organisation's aims and objectives, and the need for a financial contribution to the Organisation's overall finances
- to generate sufficient levels of income to support the asset base of the Organisation
- to further improve the Organisation's shorter term liquidity
- to retain an average cash level of £500,000
- to maintain category "B" Welsh Government financial status.

Meeting the above targets requires the retention of tight staffing levels whilst 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 Organisation's Self Assessment Report (SAR) measures 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 5 key questions relating to Standards, Wellbeing and Attitudes to Learning, Teaching and Learning Experiences, Care, Support and Guidance, and Leadership and Management.

The Organisation is continually working to improve and develop processes to ensure that data used to inform planning is produced in a timely fashion, is robust and used effectively across the Organisation to inform the Self Assessment process. The SAR is located on the Organisation's intranet and can be accessed by all staff. Any areas for development that are identified within the SAR are incorporated into the Quality Development Plan (QDP) which is produced by the Senior Management Team. Monitoring of the QDP is embedded in the Quality cycle and is reviewed at operational, senior management and governance level.

A new Internal Quality Assurance (IQA) Policy was introduced in 2019/20 and shared across the organisation which clearly sets out its sampling strategy and supports the development and maintenance of quality assurance across our provision. A range of standardisation activities and events were held with opportunities for all staff to engage in assessment and internal quality assurance to develop their practices. The IQA policy is monitored and reviewed for effectiveness and impact of use. Scrutiny of quality control measures is undertaken by the Senior Management Team and by Council, through the Learner Experience Committee.

The Organisation's major plans are its 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.

## 2. CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

### 2.1 Student numbers

In 2019/20 the Organisation recruited 8,994 learners, 59% female and 41% male. Completion\* rates for Welsh Government funded provision only are at 97% overall (1% above National Comparators), Attainment rates are at 88% (National Comparator not available) with Successful Completion at 86% (4% below National Comparators). The successful completion % has been significantly impacted by the lockdown and inability to complete a large number of accredited courses.

\*Completion includes accredited and non-accredited provision. National Comparators (NCs) are 18/19 data and are taken from National Statistics for Wales document Statistical First Release SFR 08/2020 (Page 9). WG are not envisaging publishing 19/20 NCs due to the Covid-19 outbreak.

### 2.2 Student achievements

The table below gives the current performance data available grouped by learning areas.

Subject Sector Area	Subject Sector Area Description	No. of Learner Activities	Guided Learner Contact Hours	Comp %	Attain %	Success %
1	Health, Public Services & Care	4,908	60,768	99%	90%	89%
2	Science & Mathematics	113	1,869	95%	79%	77%
3	Agriculture, Horticulture & Animal Care	65	1,380	95%	71%	68%
4	Engineering & Manufacturing Technology	182	3,483	95%	78%	73%
6	Information & Communication Technology	741	9,989	97%	87%	85%
7a	Retailing & Customer Care	134	1,134	99%	86%	85%
7c	Hospitality & Catering	669	5,614	99%	89%	88%
8	Leisure, Travel & Tourism	56	2,706	98%	95%	92%
9a	Performing Arts	158	5,072	100%	n/a	n/a
9b	Art & Design	890	27,359	95%	80%	75%
10	History, Philosophy & Theology	152	2,806	99%	100%	100%
11	Social Sciences	48	773	98%	100%	100%
12	Languages, Literature & Culture	238	2,854	97%	91%	90%
12b	Welsh, English and Other Languages	9	670	0%	n/a	n/a
13	Education & Training	421	8,258	96%	87%	83%
14a	Independent Living Skills	221	17,080	96%	75%	75%
14b	Adult Basic Education	2,031	28,417	96%	81%	78%
14c	Foundation for Work	3,560	31,875	99%	91%	91%
14d	English for Speakers of Other Languages	3,532	106,211	95%	83%	78%
15	Business, Administration and Law	1,610	26,048	99%	87%	86%
	Total	19,738	344,365	97%	88%	86%

Completion percentages include both accredited and non-accredited provision whereas Attainment and Success percentages include only accredited provision. 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.

## 2.3 Student Profile

The most popular courses are: English for Speakers of Other Languages (ESOL), Health, Public Services & Care, Foundation for Work, Adult Basic Education, Art & Design, Trade Union Studies (categorised as Business, Administration and Law), and Independent Living Skills.

We have continued our work with asylum seekers and with ethnic minority groups. 10.7% of our learners in 2019/20 were from minority ethnic communities. We continue to target the most disadvantaged areas and 55.3% of our learners live in areas of deprivation. Over half of our learners are female (59% in 19/20 compared to 56% in the 18/19 academic year) and 81.3% of our learners are aged between 20 and 60 which compares to 18/19 data of 81.6%.

## 2.4 Curriculum developments

Provision for 2019/20 was an aggregate of workplace/trade union studies, regional and national curricula administered from the Organisation's offices, until March 23<sup>rd</sup> when lockdown began. From that point, staff undertook administrative tasks from home, until the UK and Welsh Governments' advice enabled some members of staff to return to some of the Organisation's offices.

From March 23<sup>rd</sup> 2020, all areas of delivery were involved in supporting learners and delivery staff to transition to online delivery. As a significant proportion of learning focused on essential skills, employability and English for Speakers of Other Languages (ESOL), this presented challenges in terms of supporting learners on these programmes with the resources and skills they needed to access online delivery. During lockdown and into Term 3, a 'Keeping in Touch' approach was adopted, with the focus on maintaining contact with existing learners in order to continue their learning and supporting them during this challenging, and often isolating, period. The focus was on developing the Digital Skills of delivery staff and learners in order to meet this challenge.

Overall during 2019/20, the provision continued to target adult learners with high barriers to learning, particularly from areas of deprivation and those with the lowest skills levels, through strong collaborative working with the Organisation's branch structure, national, regional and local partners and networks. 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). In addition to core funded programmes of learning, full cost recovery / income generation either through delivery or accreditation services remained a focus.

Throughout 2019/20, AOC|ALW continued to offer a broad range of provision, spanning from pre-Entry to Level 3. This was consistent with Welsh Government policy priorities for Adult Learning in Wales, with a growing emphasis on essential skills (including Digital Literacy), ESOL and employability skills. Up until March, provision included enrichment activities to broaden the learning experience - for example outside visits, guest speakers and learner participation in local and national competitions.

Towards the latter end of the academic year, much more non-accredited provision than planned was delivered. This was a response to the global pandemic and provided learners across Wales with needs-led, flexible and supportive provision. Curriculum teams were responsive to emerging needs of learners and the need for provision to match these. A different cohort of learners began to present via the organisation's partnership with Job Centre Plus across Wales, resulting in the development of more resilience-building activities and bespoke employability courses. During Term 3, all provision was online, with no face-to-face activities.

For Welsh Government and Estyn purposes, all learning continues to be badged as Adult Community Learning and not Further Education or Work-based Learning.



## 2.5 Future developments

We now find ourselves in a landscape that is characterised by the impact of a global pandemic that has caused major disruption to our economy. This has put further pressure on public spending and caused uncertainty about future funding. This means that there is additional pressure on our resources. The changing economic context presents a number of significant challenges for Wales, and for adult learning in particular. In addition to the problems associated with an ageing population, rapid advances in technology and changing employment patterns, the private sector is experiencing a slow economic recovery. Set within this challenging economic environment, there is an increased need for more cost effective and innovative ways of working with reduced budget availability.

The Organisation is confident in its capacity and capability to respond effectively to these challenges. It is well placed to build on the legacy of its founding organisations and will promote a broad liberal education which improves social justice and community engagement, alongside offering highly focused education and training services for employability, enterprise and skills development.

We will continue to review and develop our curriculum offer to ensure that resources are directed to improve our digital framework to deliver more online courses and blended learning. It is important that we ensure a flexible approach and a broad range of learning options that increase learner engagement. This is a significant shift in our curriculum planning and puts additional demands on our infrastructure. As such we have implemented a new structure which directs resources to meet new priorities as part of our future proofing strategy. We have updated our strategic plan to demonstrate the changed focus on digital investment. The Business Development Strategy implemented in November 2019 has been updated and sets out our approach to support that growth. Alongside this, we will ensure that our staff Continuing Professional Development (CPD) programme supports the aims of the strategy to develop skills within our workforce to meet growth and quality targets.

## 3. RESOURCES

The Organisation has limited physical resources that it can deploy in pursuit of its strategic objectives. Its tangible resources include the Bryn Menai in Bangor and Coopers Yard sites in Cardiff. The Organisation also still holds some tangible resources in Harlech.

### 3.1 Financial

#### Financial objectives

The Organisation's financial objectives are:

- to achieve an annual operating surplus - this was achieved with a surplus of £466k.
- to pursue alternative sources of funding, on a selective basis, consistent with the Organisation's aims and objectives, and the need for a financial contribution to the Organisation's overall finances - this was achieved with several sources of alternative funding being applied for and secured.
- to generate sufficient levels of income to support the asset base of the Organisation – achieved, as during the year the Organisation was awarded several large grants in order to improve the assets across the organisation.
- to further improve the Organisation's shorter term liquidity – this was achieved with year end cash balances being £4.085m.
- to retain an average cash level of £500,000 – this was achieved.
- to maintain category "B" Welsh Government financial status – achieved.

Meeting the above targets requires the retention of tight staffing levels whilst taking all reasonable opportunities to make efficiency gains.

## Financial results

The following table summarises performance for 2019/20 against 2018/19:

	2019/20	2018/19
Operating surplus/(deficit) after FRS 102 (28) pension adjustments	£466k	£68k
Current ratio (current assets : current liabilities)	2.3:1	2.2:1
Staff costs as % of income	72.2%	74.9%
Welsh Government income as a % of total income	95%	92%
Total unrestricted reserves	(£2.5m)	£0.4m
Cash balances	£4.085m	£3.03m
Net assets	(£1.5m)	£1.4m

Tangible fixed asset additions during the year amounted to £19k and were split between fixtures and fittings at £4k and equipment at £15k.

## Treasury policies and objectives

Treasury management is the management of the Organisation'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 responsibility is absorbed within the finance function and is overseen by the Head of Curriculum and Performance.

There have been no short term borrowings during the year. If the Organisation were to make any short term borrowings for temporary revenue purposes this would be authorised by the Chief Executive and approved by the Resources 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.

## Investments

The Organisation has previously developed an ethical investment policy which is used to support its investments. At year end the Organisation held £1.095m (note 17) within two separate investment funds managed by Brewin Dolphin.

## Cash flows and Liquidity

At £1,073k (2018/19:£703k) the operating cash flow is again positive for the period.

There was an increase in net funds for the year of £1,055k compared to 2018/19 £951k.

The current ratio which stands at 2.3:1 is an improvement on the previous year (2.2:1). The financial position has stabilised which highlights the Organisation's continuing progress in its objective of maintaining financial health through improved liquidity.

## Reserves

Levels of reserves depend upon operational needs but the Organisation aims to have a minimum of three months' running costs, including salaries, held in General (unrestricted) reserves. These stood at minus £2.5m (2018/19: £0.4m) at 31 July 2020, thus the target of £1.6m was not met. This is largely due to the increase in pension obligations of £3.8m. The target is in line with Charity Commission guidance and Welsh Government's suggested good practice for Further Education Institutions. All reserves are reported to and reviewed regularly at Resources Committee meetings, and expenditure from reserves is approved by the Council.

The Organisation's aim is to increase the levels of its reserves. However, it is recognised that there are significant challenges in financial forecasting due to the current situation and the impact this has on the Organisation's ability to plan.

### **Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires AOC|ALW, 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 Organisation complies with the Better Payments Practice Code.

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

Field offices are aware of the need to authorise invoices and return them to the Finance Section for payment as quickly as possible.

During the period 1 August 2019 to 31 July 2020 the Organisation incurred no interest charges in respect of late payment.

### **GOING CONCERN**

After making appropriate enquiries, the Council considers that the Organisation 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.

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

There are no post-balance sheet events to report.

## **3.2 Staffing**

During the academic year there were 157 hourly paid teaching staff. As at 31 July 2020, there were 66 full time and 46 part time salaried support staff.

A Learning and Development Plan, based on the training needs recognised by the Organisation and individuals, is implemented on an annual basis and updated throughout the year.

Teaching observations enable the monitoring of teaching quality and the provision of support to teaching staff while identifying training and development needs. Termly catch up meetings between staff and line managers provide a proactive approach to self-assessment and target setting, with an emphasis on the individual's CPD needs and aspirations for improvement to deliver targets.

#### 4. PRINCIPAL RISKS AND UNCERTAINTIES

AOC|ALW 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 AOC|ALW'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 Organisation 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 Organisation. 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 Organisation.

The main risks identified have been compounded by the impact of the current pandemic. The situation has decreased the ability to forecast accurately due to the volatility and uncertainty of the current position. In order to mitigate the risks, the Senior Officers of the Organisation are in regular contact with the Welsh Government in order to identify and manage key challenges.

A Risk Register is maintained and is reviewed on a termly basis by the Audit Committee. The Risk Register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Organisation 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 AOC|ALW along with mitigating actions. Not all the factors are within the Organisation's control: other factors besides those listed below may also adversely affect it.

##### 4.1 Government funding

The Organisation has considerable reliance on continued Welsh Government funding through the Senedd, with levels of funding due to remain stable for 2020/21.

This risk is mitigated in several ways:

- There has been a rolling three year budget in place which supports the delivery of the strategic plan whilst identifying budget pressures and allowing the Organisation to plan accordingly.
- The Organisation continues to expand delivery that has a range of course fee recovery options associated with it.
- The Organisation has developed a more commercial focus in relation to delivering training for business: it has a designated workplace learning team whose focus is the business sector.
- By ensuring the Organisation is rigorous in delivering high quality education.
- Considerable focus and investment is placed on maintaining and managing key relationships with various funding bodies.
- The Organisation has a dedicated Business Development resource which was implemented within the year in order to identify and develop growth opportunities.
- Ensuring the Organisation is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with the Welsh Government and other key funders.
- Preparation of funding bids from sources other than the Welsh Government.
- Discussions with other providers to develop joint bids to contract for the delivery of services in Wales.

#### **4.2 Maintain adequate funding of pension liabilities**

The financial statements report the share of the pension scheme deficit on the Organisation's balance sheet in line with the requirements of FRS 102. Regular dialogue takes place with the pension providers to ensure employer contributions are sufficient to reduce the deficit on the fund but at the same time are not excessive.

#### **4.3 IT Infrastructure**

The support contract for the Organisation has been improved and implemented for the year which puts in place stronger support mechanisms. This helps to mitigate the risks associated with the IT infrastructure.

### **5. STAKEHOLDER RELATIONSHIPS**

The Organisation has many stakeholders. These include:

- Welsh Government
- Staff
- Other FE Institutions
- Trade Unions
- Accrediting bodies
- HE Institutions
- Other third sector organisations and partners
- Learners
- Funders
- Branches
- Members
- Volunteers
- The local community
- Local employers (with specific links)
- Local Authorities
- Adult Community Learning Partnerships, regional and local

The Organisation recognises the importance of these relationships and engages in regular communication and collaboration with stakeholders. It is particularly appreciative of the voluntary efforts of its Branch officers and Regional Forum chairpersons in extending the democratic nature of the Organisation's structures.

## 5.1 Equality and Diversity

The Organisation recognises that discrimination, prejudice and disadvantage exist in society, and that groups and individuals have been treated unfairly for reasons relating to 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.

AOC|ALW'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 Organisation 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 Organisation 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 Organisation considers all applications for 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 AOC|ALW continues. The Organisation's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for all employees. The Organisation makes every effort to ensure that any problems encountered by disabled employees or potential disabled employees are minimised.

The Learner Services and Human Resources team has responsibility for coordinating the development, implementation and review of all matters and progress relating to safeguarding, equality and diversity, in accordance with legislation and statutory duties. Monitoring and scrutiny of safeguarding, equality and diversity matters at Committee level is within the remit of the Learner Experience Committee.

## 5.2 Disability statement

As part of its commitment to Equality and Diversity the Organisation seeks to secure full access to its courses and meetings for those with disabilities. As far as reasonably practicable arrangements are made to ensure that students with disabilities can engage fully with its activities, by ensuring that necessary media and support are provided and that physical access to courses is possible. However, courses are usually provided in premises that are not owned by AOC|ALW. In these situations the Organisation will work with the providers of premises to provide equal access wherever possible. If equal access is not available at a community venue, alternative arrangements will be explored as required.

## 5.3 AOC|ALW and the Welsh Language

AOC|ALW is committed to the Welsh Government's vision of a truly bilingual Wales, as set out in the document *Cymraeg 2050*, the Welsh Government's Welsh language strategy (2018). This sets out its vision to increase the number of Welsh speakers and the use of Welsh by the year 2050. It is a vision to which AOC|ALW is fully committed. AOC|ALW will work to ensure that the Welsh language is treated as wholly equal to 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 Organisation. Compliance with Welsh Language Standards will be ensured through regular monitoring.

In addition to advancing learning and knowledge through participation in education and training, AOC|ALW is committed to promoting awareness and understanding of the Welsh language, Welsh heritage and culture in all aspects of its business and services. AOC|ALW 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.

The Learner Services and Human Resources team continues to co-ordinate, develop and implement the wide range of activities required to achieve the organisation's strategic aims and meet statutory requirements in respect of Welsh and Bilingualism. Welsh and Bilingualism is monitored and scrutinised at Committee level by the Learner Experience Committee.

#### **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 AOC|ALW'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 Organisation's auditors are aware of that information.

Approved by order of the members of the Council 30<sup>th</sup> March 2021 and signed on its behalf by:

**John Graystone**  
**Chair of Governors**

.....

#### **Professional advisers**

**External auditors:**

Baker Knolly Accountancy Ltd, Merthyr Tydfil

**Internal auditors:**

TIAA, Cardiff

**Bankers:**

Handelsbanken, Cardiff

**Solicitors:**

Eversheds Sutherland, Cardiff

## Statement of Corporate Governance and Internal Control

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

This summary describes the manner in which the Organisation has applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in July 2018. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Council, the Organisation complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2020.

### THE COUNCIL

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

Name	Status and Category	Accession date (if after 1 Aug. 2019) or Resignation date	Committee Membership	Council meetings attended (out of 6 in total)
John Graystone	Chair; Appointed	Re-appointed, 31/03/2020	Search (Chair)	5
Toni Schiavone	Vice Chair; Elected Regional Governor		Resources, Search	4
Sonia Reynolds	Vice Chair; Elected Regional Governor	Re-elected, 11/03/2020	Audit, Search	3
David Elis-Williams	Elected Regional Governor	31/03/2020	Resources (Chair)	4 (out of 4)
Chris Franks	Elected Members' Governor	Re-elected, 11/03/2020	Audit (Chair)	4
Gerry Jenson	Appointed	Resigned, 04/08/2019	Learner Experience	N/A
Cathy Clark	Elected Learner Governor		Learner Experience	6
Caroline Davies	Elected Regional Governor		Learner Experience (Chair), Search	5
Iwan Hywel	Appointed	Resigned, 31/03/20	Resources	3 (out of 4)
Dafydd Rhys	Elected Staff Governor	Re-elected, 10/03/2020	Learner Experience	6
Nick Taylor	Elected Regional Governor	Resigned, 26/11/2019	Resources	0 (out of 1)
Julie Cook	Appointed		Learner Experience	5
Guy Wallace Smith	Appointed		Audit	2
Jenni Jones-Annetts	Elected Learner Governor		Learner Experience	4
Stephen Nicholls	Formerly an Elected Learner Governor	Appointed, 01/04/2020	Resources	5
Suzanne Samuel	Appointed		Learner Experience	3
Gareth Cork	Elected Staff Governor		Resources	6
Daryl Leeworthy	Elected Regional Governor		Resources	4
Malgorzata Zedler	Elected Learner Governor	Elected 26/03/2020; Resigned 06/07/2020	Resources	0 (out of 1)
Timothy Palazon	Appointed	Appointed, 20/08/2019	Learner Experience	6
Salamat Fada	Appointed	Appointed, 20/08/2019	Learner Experience	3



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

The Council is provided with regular and timely information on the overall financial performance of the Organisation 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, and during 2019-20 met on six occasions.

The Council conducts its business through four committees: Audit, Learner Experience, Resources and Search. Each committee has terms of reference, which have been approved by the Council. Full minutes of all Council meetings, except those deemed to be confidential by the Council, are available on the organisation's web-site or from the Clerk to the Council at:

Stephen Thomas  
Clerk to Council  
AOC|ALW  
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 Organisation'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 and Committee members in a timely manner, prior to meetings. Briefings are also provided on an ad hoc basis.

The Council has a strong and independent non-executive element and no individual or group dominates its decision-making process: there is no person with significant control registered for it at Companies House. The Council considers that each of its 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 members of the Council, one of whom is Committee Chair, and co-opted individuals. Co-opted members who served during 2019/20 were: Paul Charlton, Graham Price (Audit Committee); Jeremy Gass, Derwena Watkin and Ashok Chopra (Learner Experience Committee); and Susan Roberts (Resources Committee). In addition other task and finish groups may be convened at the discretion of the Council.

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

### Composition of the Council

The adoption of revised Articles of Association at the time of the re-naming of the Organisation also saw the formation of a new Council. Most Council members up to 31 March 2017 were appointed to their roles. From 1 April 2017 there have been up to 12 elected members (variously nominated by Regional Forums, individual members, learners and staff) and up to 8 appointed members. The Council is responsible for ensuring that appropriate training is provided for its members as required. The Council adheres to the 2016 Code of Good Governance for Colleges in Wales.

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

### Audit Committee

The Audit Committee comprises three members of the Council (excluding the Chair, learner governors and Resources Committee members). The Committee operates in accordance with written terms of reference approved by the Council.

The Audit Committee meets on a termly basis and provides a forum for reporting by AOC|ALW's internal and external auditors, who have access to the Committee for independent discussion, without the presence of AOC|ALW management if necessary. The Committee also receives and considers reports from the Charity Commission and the Welsh Government as they affect AOC|ALW's business.

The Organisation'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 Committee.

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

The Audit 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.

The Search Committee is responsible for overseeing the appointment of Council members, making recommendations to the full Council to fill the vacancies that exist. The Diversity Categories and Skills Matrix for Governors, forming part of the Organisation's Standing Orders, inform the Search Committee's recruitment practices. All governors appointed in 2019/20 came through application of these norms.

### INTERNAL CONTROL

#### *Scope of responsibility*

The Council is ultimately responsible for the Organisation'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, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Organisation'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 Organisation and the Welsh Government. S/he is also responsible for reporting to the Council any material AOC|ALW weaknesses or breakdowns in internal control.

#### *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 Organisation'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 2020 and up to the date of approval of the annual report and accounts.

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

### *Capacity to handle risk*

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

### *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 Organisation has an internal audit service, which operates in accordance with the requirements of the Welsh Government. The work of the internal audit service is informed by an analysis of the risks to which the Organisation 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 Committee. At minimum annually, the Chair of Audit Committee provides Council with a report on internal audit activity in the Organisation. The report includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the Organisation's system of risk management, controls and governance processes.

### *Review of effectiveness*

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. That 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 Organisation who have responsibility for the development and maintenance of the internal control framework
- Comments made by the Organisation's external auditors and the Welsh Government auditors in their management letters and other reports.

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the regions and reinforced by risk awareness training. The Senior Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Council's agenda includes a regular item for consideration of risk and control and it receives reports thereon

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

from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Approved by order of the members of the Organisation on 30<sup>th</sup> March 2021 and signed on its behalf by:

**John Graystone**  
**Chair of Governors**

**Kathryn Robson**  
**Chief Executive**

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**Governing Body’s statement on the Organisation’s regularity, propriety and compliance with Funding body terms and conditions of funding**

The Organisation has considered its responsibility to notify the Welsh Government of material irregularity, impropriety and non-compliance with Welsh Government terms and conditions of funding, under the Financial Memorandum in place between the Organisation and the Welsh Government. As part of our consideration we have had due regard to the requirements of the Financial Memorandum.

We confirm, on behalf of the Organisation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the Organisation, or material non-compliance with the Welsh Government’s terms and conditions of funding under the Organisation’s Financial Memorandum.

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

**John Graystone**  
**Chair of Governors**

**Kathryn Robson**  
**Chief Executive**

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## Statement of Responsibilities of the Members of the Council of the Organisation

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

Within the terms and conditions of the Financial Memorandum agreed between the Welsh Government and the Organisation, the Organisation, through its Chief Executive, is required to prepare financial statements for each financial year in accordance with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions*, Company Law and with the Accounts Direction issued by the Welsh Government, which give a true and fair view of the state of affairs of the Organisation and the result for that year.

In preparing the financial statements, the Organisation 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 Organisation will continue in operation.

The Organisation is responsible for maintaining proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Organisation, 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 Organisation and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Organisation website is the responsibility of the Organisation. 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 funders and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Welsh Government are used only in accordance with the Financial Memorandum with the Welsh Government and any other conditions that the Welsh Government 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 Organisation's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Welsh Government 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 Organisation we have taken all the steps necessary in order to make ourselves aware of any relevant audit information and to establish that the Organisation's auditors are aware of that information.

The Members of the Council are aware that the Organisation 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 due regard to the Charity Commission's guidance on public benefit when considering, planning and implementing the activities of the charity and when exercising their powers and duties to which the guidance is relevant, and that they have complied with the duty under Section 4 of the Charities Act 2006 in this regard. As Council, we believe that the objects of the Organisation to promote education, in particular for young people and adults, within Wales are charitable and for public benefit.

## Statement of Responsibilities of the Members of the Council of the Organisation (continued)

Furthermore, in our view, no detriment or harm arises from the Organisation 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 2019 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 Organisation on 30<sup>th</sup> March 2021 and signed on its behalf by:

**John Graystone**  
**Chair of Governors**

.....

## **Independent Auditors' Report to the Governing Body (Council) of Addysg Oedolion Cymru | Adult Learning Wales**

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

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Addysg Oedolion Cymru | Adult Learning Wales financial statements:

- give a true and fair view of the state of the Organisation's affairs as at 31 July 2020, and of the Organisation's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been properly prepared in accordance with the Accounts Direction issued by the Welsh Government.

We have audited the financial statements, included within the Annual Report and Financial Statements for the year ended 31 July 2020 (the "Annual Report"), which comprise the Balance Sheet as at 31 July 2020; the Statement of Comprehensive Income for the year then ended; the Statement of Changes in Reserves for the year then ended; the Statement of Cash Flows for the year then ended; and the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

##### **Basis for opinion**

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

##### *Independence*

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

##### **Conclusions relating to going concern**

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

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



## **Independent Auditors' Report to the Governing Body (Council) of Addysg Oedolion Cymru | Adult Learning Wales (continued)**

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

### **Reporting on other information**

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

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

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the Governing Body for the financial statements*

As explained more fully in the Statement of the Governing Body's responsibilities set out on pages 21 and 22, the Governing Body (who are also the directors of the organisation for the purposes of company law) is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Governing Body is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Governing Body is responsible for assessing the Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Body either intends to liquidate the Organisation or to cease operations, or has no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## **Independent Auditors' Report to the Governing Body (Council) of Addysg Oedolion Cymru | Adult Learning Wales (continued)**

### *Use of this report*

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

### **Other required reporting**

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

In our opinion, in all material respects:

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

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

**Baker Knoyle Accountancy**  
**Chartered Accountants**  
**Merthyr Tydfil**

**Date:**

## Statement of Comprehensive Income

INCOME	Notes	2020 £'000	2019 £'000
Welsh Government Grants	2	7,569	6,622
Tuition fees and education contracts	3	337	465
Other grants and contracts	4	94	93
Other Income	5	9	20
Branch Income	6	14	16
Investment Income	7	4	2
Pension Finance Income	8	-	-
Donations and Endowments	9	-	-
<b>Total Income</b>		<b>8,027</b>	<b>7,218</b>
<b>EXPENDITURE</b>			
Staff costs	10	5,784	5,406
Other operating expenses	12	1,534	1,544
Depreciation	16	176	182
Interest and other finance costs	13	49	18
Branch Expenditure	12	18	-
<b>Total Expenditure</b>		<b>7,561</b>	<b>7,150</b>
<b>(Deficit)/Surplus before other gains and losses</b>	15	<b>466</b>	<b>68</b>
Gain/(loss) on disposal of assets		-	156
<b>(Deficit)/Surplus before tax</b>		<b>466</b>	<b>224</b>
Taxation	14	-	-
<b>(Deficit)/Surplus for the year</b>		<b>466</b>	<b>224</b>
Revaluation Reserve movement	27	-	-
Gain/(loss) on investments	17	(16)	67
Actuarial gain/(loss) in respect of pensions schemes	33	(3,328)	(1,503)
<b>Total Comprehensive Income for the year</b>		<b>(2,878)</b>	<b>(1,212)</b>
<b>Represented by:</b>			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		(2,862)	(1,279)
Endowment comprehensive income		(16)	67
		<b>(2,878)</b>	<b>(1,212)</b>

The statement of comprehensive income is in respect of continuing activities.

## Statement of Changes in Reserves

	Income and Expenditure Reserve		Restricted Reserve		Total
	Endowment £'000	Other £'000	Endowment £'000	Other £'000	£'000
<b>Balance at 1st August 2018</b>	<b>308</b>	<b>1,329</b>	<b>930</b>	<b>10</b>	<b>2,577</b>
Surplus/(deficit) from the income and expenditure account	-	224	-	-	224
Other comprehensive income	9	(1,503)	58	-	(1,436)
Transfers between revaluation and income and expenditure reserves	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>9</b>	<b>(1,279)</b>	<b>58</b>	<b>-</b>	<b>(1,212)</b>
<b>Balance at 31st July 2019</b>	<b>317</b>	<b>50</b>	<b>988</b>	<b>10</b>	<b>1,365</b>
Surplus/(deficit) from the income and expenditure account	-	466	-	-	466
Other comprehensive income	1	(3,328)	(17)	-	(3,344)
Transfers between revaluation and income and expenditure reserves	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>1</b>	<b>(2,862)</b>	<b>(17)</b>	<b>-</b>	<b>(2,878)</b>
<b>Balance at 31st July 2020</b>	<b>318</b>	<b>(2,812)</b>	<b>971</b>	<b>10</b>	<b>(1,513)</b>

**Balance Sheet as at 31 July**

	Notes	2020 £'000	2019 £'000
<b>Non current assets</b>			
Tangible Fixed Assets	16	751	908
Endowment Assets	17	1,289	1,306
		<b>2,040</b>	<b>2,214</b>
<b>Current Assets</b>			
Trade and other receivables	18	157	398
Cash and cash equivalents	25	4,085	3,026
		<b>4,242</b>	<b>3,424</b>
<b>Creditors - amounts falling due within one year</b>	19	<b>(1,363)</b>	<b>(1,572)</b>
<b>Net Current assets</b>		<b>2,879</b>	<b>1,852</b>
<b>Total assets less current liabilities</b>		<b>4,919</b>	<b>4,066</b>
Creditors - amounts falling due after more than one year	20	(124)	(179)
<b>Provisions</b>			
Defined benefit obligations	21	(6,273)	(2,477)
Other provisions	21	(35)	(45)
		<b>(1,513)</b>	<b>1,365</b>
<b>Total net assets</b>		<b>(1,513)</b>	<b>1,365</b>
<b>Restricted Reserves</b>			
Endowments	23	971	989
Other	26	10	10
<b>Total restricted reserves</b>		<b>981</b>	<b>999</b>
<b>Unrestricted Reserves</b>			
Endowments	23	318	317
Income and expenditure account	26	(2,812)	49
Revaluation Reserve	27	-	-
<b>Total unrestricted reserves</b>		<b>(2,494)</b>	<b>366</b>
<b>Total Reserves</b>		<b>(1,513)</b>	<b>1,365</b>

The financial statements on pages 26 - 54 were approved and authorised for issue by the Governing Body on 30th March 2021 and were signed on its behalf on that date by:-

John Graystone  
Chair of Governors

Kathryn Robson  
Chief Executive

## STATEMENT OF CASH FLOWS

	Notes	2020 £'000	2019 £'000
<b>Cash flow from operating activities</b>			
Surplus/(Deficit) for the year		466	68
<b>Adjustment for non-cash items</b>			
Depreciation	16	176	182
(Increase)/decrease in debtors	18	241	(107)
Increase/(decrease) in creditors due within one year	19	(209)	452
Increase/(decrease) in creditors due after one year	20	(55)	(19)
Increase/(decrease) in provisions	21	(10)	(11)
Pension costs less contributions payable	33	468	140
<b>Adjustment for investing or financing activities</b>			
Interest receivable		(4)	(2)
Interest payable		-	-
<b>Net cash flow from operating activities</b>		<b>1,073</b>	<b>703</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	382
Interest receivable		4	2
Income from endowments	23	6	13
Payments made to acquire fixed assets	16	(19)	(140)
Payments made to acquire endowment assets	17	(117)	(251)
Proceeds from sale of endowment assets	17	108	242
Drawdown from endowments	23	-	-
		<b>(18)</b>	<b>248</b>
<b>Cash flows from financing activities</b>			
Interest paid		-	-
New secured loans		-	-
Repayments of amounts borrowed		-	-
		<b>-</b>	<b>-</b>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<b>1,055</b>	<b>951</b>
Cash and cash equivalents at beginning of the year	24	3,072	2,121
Cash and cash equivalents at end of the year	24	4,127	3,072

## **Notes to the Accounts**

### **1. Statement of accounting policies and estimation techniques**

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 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2019 to 2020 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102) and Companies Act 2006. The Organisation is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Organisation’s accounting policies.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

#### **Basis of Consolidation**

The consolidated financial statements include the Organisation and its Branches for the financial year to 31 July 2020. Intra-group transactions have been eliminated and uniform accounting policies are applied across the group for the purposes of the consolidated financial statements.

#### **Going Concern**

The activities of the Organisation, together with the factors likely to affect its future development and performance, are set out in the Strategic Report. The financial position of the Organisation, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The Trustees have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. After reviewing these forecasts, the Directors are of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, the Organisation will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). Consequently, the Trustees have prepared the financial statements on a going concern basis.

## Statement of accounting policies (continued)

### Recognition of income

#### *Revenue grant funding*

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education 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 funding body following the year end, and the results of any funding audits.

The recurrent grant from the Welsh Government (WG) represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

Grants from non-government sources are recognised in income when the Organisation is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

#### *Capital grant funding*

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the Organisation is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

#### *Fee income*

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

#### *Investment income*

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis. 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.

### Agency arrangements

The Organisation in some cases acts as an agent in the collection and payment of the discretionary support fund, Financial Contingency Fund (FCF). Related payments received from the WG and subsequent disbursements to students totalling £1k (2019: £1k) are excluded from the income and expenditure of the Organisation where the Organisation is exposed to minimal risk or enjoys minimal economic benefit related to the transaction (note 32).

Where the Organisation has paid a third party direct, the related income and expenditure has been included within the income and expenditure of the Organisation (note 32).



## **Statement of accounting policies (continued)**

### **Accounting for post-employment benefits**

Post-employment benefits to employees of the Organisation are provided by the Teachers' Pension Scheme (TPS), the Local Government Pension Scheme (LGPS) and for some former YMCA CC Wales staff, the Aviva Pension Scheme. The TPS and LGPS are defined benefit plans, which are externally funded and contracted out of the State Second Pension. Aviva is also a defined benefit plan with the assets of the plan being held in separate trustee administered funds.

#### ***Teachers' Pension Scheme (TPS)***

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the Organisation 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 valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### ***Cardiff & Vale and Gwynedd Local Government Pension Scheme (LGPS)***

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

### **Short term employment benefits**

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

### **Enhanced Pensions**

The Organisation incurred enhanced pension costs during the year of £10k relating to 3 former members 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. These costs have been charged against the enhanced pension provision in the balance sheet.

## Statement of accounting policies (continued)

### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. Certain items of fixed assets that have been revalued to fair value on or prior to the date of transition to the FE HE SORP are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Where tangible fixed assets are acquired with the aid of specific Government grants, they are capitalised and depreciated as above. The related Government grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

### *Land & Buildings*

Freehold and long leasehold buildings are depreciated on a straight line basis over their expected useful lives as follows:-

- |                         |                               |
|-------------------------|-------------------------------|
| • Freehold              | 20-50 years / 2%-5% per annum |
| • Leasehold             | 50 years / 2% per annum       |
| • Property Improvements | 5 years / 20% per annum       |

Freehold land is not depreciated as it is considered to have an infinite useful life.

Land, buildings and property improvements are stated in the balance sheet at either purchase cost or revaluation cost less depreciation costs. 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.

Freehold and long leasehold buildings are depreciated over their expected useful economic life to the Organisation of between 20 and 50 years. The Organisation has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 102, the Organisation followed the transitional provision to retain the book value of land and buildings.

### *Subsequent expenditure on existing tangible fixed assets*

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the Organisation, in which case it is capitalised and depreciated on the relevant basis.

## Statement of accounting policies (continued)

### Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Inherited equipment and other capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- |                                    |                         |
|------------------------------------|-------------------------|
| • General Equipment                | 5 years / 20% per annum |
| • Computer Equipment               | 4 years / 25% per annum |
| • Motor Vehicles                   | 5 years / 20% per annum |
| • Furniture, fixtures and fittings | 5 years / 20% per annum |

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income.

### Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

### Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1<sup>st</sup> August 2014 are spread over the minimum lease term

The Organisation does not have any finance leases.

### Investments and Endowments

Listed investments held as current asset investments which relate to endowment assets are stated at fair value, with movements recognised in the Statement of Comprehensive Income.

The general purpose endowments are classified as an investment in the balance sheet in line with the Statement of Recommended Practice: *Accounting for Further & Higher Education 2019* (the 2019 FE&HE SORP).

### Inventories

The Organisation does not hold inventories.

### Cash and cash equivalents

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

## Statement of accounting policies (continued)

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition. The Organisation had no cash equivalents during the year.

### Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the Organisation are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Organisation has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost.

### Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. There were no monetary assets and liabilities denominated in foreign currencies at year end.

### Taxation

The Organisation is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Organisation is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The Organisation 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. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

### Provisions and contingent liabilities

Provisions are recognised when

- the Organisation 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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

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

## Statement of accounting policies (continued)

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

## Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the Organisation either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Organisation's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

### *Other key sources of estimation uncertainty*

- ***Tangible fixed assets***

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- ***Local Government Pension Scheme***

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 33, will impact on the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## Notes to the accounts (continued)

	Note	2020 £'000	2,019 £'000
<b>2 Welsh Government (WG) Grants</b>			
WG Mainstream Recurrent grant		5,861	5,864
WG Other Recurrent		1,004	366
WG release of capital grants	<b>22</b>	117	116
WG Maintenance, Digital, SOP & Capital funding		544	216
WG non recurrent grants (PDF, FCF)		43	60
<b>Total</b>		<b>7,569</b>	<b>6,622</b>
<b>3 Tuition Fees and Education Contracts</b>			
Education Contracts		40	40
Tuition Fees		294	406
Other fees including exam fees		3	19
<b>Total</b>		<b>337</b>	<b>465</b>
<b>4 Other Grants and Contracts</b>			
European Social Fund		-	43
Other Grants and Contracts		94	50
<b>Total</b>		<b>94</b>	<b>93</b>
<b>5 Other Income</b>			
Release of other government capital grants	<b>22</b>	-	-
Individual Subscriptions, Affiliations, Donations		2	2
Room rental		-	8
Other miscellaneous		7	10
<b>Total</b>		<b>9</b>	<b>20</b>
<b>6 Branch income</b>		<b>14</b>	<b>16</b>
<b>7 Investment Income</b>			
Interest receivable		4	2
<b>Total</b>		<b>4</b>	<b>2</b>
<b>8 Net return on pension scheme</b>	<b>33</b>	-	-
<b>9 Donations</b>		-	-

**Notes to the accounts (continued)****10 Staff numbers and costs**

The average staff numbers (including key management personnel) employed by the Organisation in the year was:

	Note	Year ended 31 July 2020	Year ended 31 July 2019
Teaching & Learning departments		199	203
Teaching & Learning support services		11	8
Other support services		34	27
Administration and central services		34	35
General Education		1	1
Premises		2	2
<b>Total average staff numbers</b>		<b>281</b>	<b>276</b>

		2020 £'000	2019 £'000
<b>Staff Costs for the above persons</b>			
Wages and Salaries		3,962	3,797
Social security costs		309	289
Other pension costs	<b>33</b>	1,351	962
<b>Payroll sub total</b>		<b>5,622</b>	<b>5,047</b>
Contracted out staffing services		86	251
		<b>5,708</b>	<b>5,298</b>
Restructuring costs	Contractual	52	39
	Non-Contractual	24	69
<b>Total Staff costs</b>		<b>5,784</b>	<b>5,406</b>

The organisation has salary sacrifice arrangements in place for a Cycle Scheme.

**11 Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Organisation and are represented by the Senior Management Team (SMT) which comprises the Chief Executive (Accounting Officer), Head of Curriculum and Performance, and Head of Learner Services and Resources for the period ending 31 July 2020.

## Notes to the accounts (continued)

## 11 Key management personnel (continued)

## Emoluments of Key management personnel, Accounting Officer and other higher paid staff

	2020 No.	2019 No.
The number of key management personnel, Accounting Officer and other higher paid staff	3	3

The number of key management personnel and other staff who received annual emoluments, excluding employer contributions to national insurance and pensions but including benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£50,001 to £55,000 p.a.	2	2	-	-
£55,001 to £60,000 p.a.	-	-	-	-
£60,001 to £65,000 p.a.	-	-	-	-
£65,001 to £70,000 p.a.	-	-	-	-
£70,001 to £75,000 p.a.	-	-	-	-
£75,001 to £80,000 p.a.	-	1	-	-
£80,001 to £85,000 p.a.	1	-	-	-
	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>

Key management personnel compensation is made up as follows:

	2020 £'000	2019 £'000
Salaries - gross of salary sacrifice and waived emoluments	186	181
Benefits in kind	-	-
	<u>186</u>	<u>181</u>
Pension Contributions	50	46
<b>Total key management personnel compensation</b>	<u><u>236</u></u>	<u><u>227</u></u>

The above compensation includes amounts paid to the Chief Executive who is the Accounting Officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:



## Notes to the accounts (continued)

## 11 Key management personnel (continued)

	2020 £'000	2019 £'000
Salaries	81	79
Benefits in kind	-	-
	<b>81</b>	<b>79</b>
Pension Contributions	22	20

The Council is aware of its obligations under the Welsh Government's 2017 publication 'Transparency of Senior Remuneration in the Devolved Welsh Public Sector'. The Chief Executive reports to the Chair and Vice Chairs of the Council, who undertook an annual appraisal of performance against the Organisation's goals in 2019-20, using qualitative and quantitative measures of performance. The remuneration of the Chief Executive, as a senior post-holder, is subject to annual consideration by the Search Committee, which decides whether Cost of Living settlements or other increments are applied to it.

## Relationship of Chief Executive pay and remuneration expressed as a multiple:

	2020 £'000	2019 £'000
Chief Executive basic salary as a multiple of the median of all AOC ALW staff	2.9	2.9
Chief Executive total emoluments as a multiple of the median of all AOC ALW staff	3.7	3.7

The above has been calculated based on full time equivalent salaries for all salaried and hourly paid staff. Total emoluments for the Chief Executive are formed of basic salary and pension contributions.

## Compensation for loss of office paid to former key management personnel

	2020 £'000	2019 £'000
Compensation paid to former post-holders - contractual	-	-
Compensation paid to former post-holders - non contractual	-	-
Estimated value of other benefits, including provisions for pension benefits	-	-
Number of post-holders	-	-

Of the Governing Body, three staff members (one resigned 26 November 2019) were the only Governors paid as employees of the Organisation during the year. All other Governors only received payment for reimbursement of travel and subsistence expenses incurred in the course of their duties.

## Notes to the accounts (continued)

	Note	2020 £'000	2019 £'000
<b>12 Other operating expenses</b>			
Teaching costs		158	169
Non teaching costs:			
Teaching support services		183	179
Other support services		43	73
Administration and central services		528	536
General Education including Marketing & Promotional		78	102
Premises Costs		521	455
Consultancy		23	27
Branch Expenditure		18	3
<b>Total</b>		<b>1,552</b>	<b>1,544</b>

**Other operating expenses include:**

Auditors' Remuneration:

<b>External audit</b>	Financial	10	10
	Other	4	4
		<b>14</b>	<b>14</b>
<b>Internal audit</b>		<b>9</b>	<b>9</b>

**13 Interest and other finance costs**

		2020 £'000	2019 £'000
Net interest on defined pension liability	<b>33</b>	49	18
Interest on bank loans, overdrafts and other loans		-	-
Finance Leases		-	-
<b>Total</b>		<b>49</b>	<b>18</b>

**14 Taxation**

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

**15 Surplus/(deficit) on Continuing Operations for the period**

	2020 £'000	2019 £'000
The Organisation's surplus / (deficit) for the year	<b>466</b>	<b>68</b>

## Notes to the accounts (continued)

16 Tangible Fixed Assets	Freehold Land & Buildings £'000	Long Leasehold Land & Buildings £'000	Property Improve- ments £'000	Equip- ment £'000	Furniture, Fixtures & Fittings £'000	Motor Vehicles £'000	Total £'000
<b>Cost or valuation</b>							
At 1 August 2019	1,513	-	289	2,827	146	-	<b>4,775</b>
Additions	-	-	-	15	4	-	<b>19</b>
Disposals	-	-	-	-	-	-	<b>-</b>
<b>At 31 July 2020</b>	<b>1,513</b>	<b>-</b>	<b>289</b>	<b>2,842</b>	<b>150</b>	<b>-</b>	<b>4,794</b>
<b>Depreciation</b>							
At 1 August 2019	844	-	218	2,672	133	-	<b>3,867</b>
Charge for the year	37	-	42	89	8	-	<b>176</b>
Disposals	-	-	-	-	-	-	<b>-</b>
<b>At 31 July 2019</b>	<b>881</b>	<b>-</b>	<b>260</b>	<b>2,761</b>	<b>141</b>	<b>-</b>	<b>4,043</b>
<b>Net Book Value at 31 July 2020</b>	<b>632</b>	<b>-</b>	<b>29</b>	<b>81</b>	<b>9</b>	<b>-</b>	<b>751</b>
<b>Net Book Value at 31 July 2019</b>	<b>669</b>	<b>-</b>	<b>71</b>	<b>155</b>	<b>13</b>	<b>-</b>	<b>908</b>

The Net Book Value of equipment does not include any amounts in respect of assets held under finance leases.

## 17 Investments

	2020 £'000	2019 £'000
<b>Endowment Assets</b>		
Balance at 1 August	1,306	1,239
Purchases of assets	118	250
Sales of assets	(108)	(242)
Revaluation of endowment assets	-	-
Appreciation/(Depreciation) of endowment asset investments	(23)	54
Movement in cash balances	(4)	5
<b>Balance at 31 July</b>	<b>1,289</b>	<b>1,306</b>
<b>Represented by:</b>		
Equities, Bonds, Other	1,095	1,108
Cash and deposits	44	48
Land	150	150
	<b>1,289</b>	<b>1,306</b>

## 18 Trade and other receivables

	2020 £'000	2019 £'000
<b>Amounts falling due within one year:</b>		
Trade receivables	66	99
Prepayments and accrued income	91	299
	<b>157</b>	<b>398</b>

## Notes to the accounts (continued)

19	Creditors: amounts falling due within one year	2020 £'000	2019 £'000
	Notes		
	Trade payables	-	53
	Other taxation and social security	75	83
	Accruals - annual leave	123	90
	Accruals - other	577	717
	Deferred income - government capital grants	22 66	116
	Deferred income - government revenue	346	324
	Deferred income - other	176	189
	<b>Total</b>	<b>1,363</b>	<b>1,572</b>

20	Creditors: amounts falling due after one year		
	Deferred income - government capital grants	22 124	179
	<b>Total</b>	<b>124</b>	<b>179</b>

21	Provisions	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
	At 1 August 2019	2,477	45	2,522
	Expenditure in the period	(615)	(10)	(625)
	Additions in the period	4,411	-	4,411
	<b>At 31 July 2020</b>	<b>6,273</b>	<b>35</b>	<b>6,308</b>

Defined benefit obligations relate to the liabilities under the Organisation's membership of the Local Government Pension Scheme. Further details are given in Note 33.

The enhanced pension provision relates to the projected costs of 3 former members 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.

22	Deferred income - Government Capital Grants	£'000
	At 1 August 2019	295
	Additional funding received	12
	Released to income & expenditure account	(117)
	<b>At 31 July 2020</b>	<b>190</b>

## Notes to the accounts (continued)

## 23 Endowments

Period Ended 31 July 2020					
	Restricted Books, Prizes & Learning Supp Materials Fund £'000	Bursaries & Scholar- ships Fund £'000	Unrestricted Books, Prizes & Learning Supp Materials Fund £'000	General Purposes Fund £'000	Total £'000
<b>At 1 August 2019 as previously stated</b>	<b>989</b>	<b>216</b>	<b>69</b>	<b>32</b>	<b>1,306</b>
Depreciation of Endowment Investments	(23)	-	-	-	(23)
Investment Income for year	13	1	2	-	16
Draw down from Endowments	-	-	-	-	-
Investment Management Expenses	(8)	(1)	(1)	-	(10)
<b>At 31 July 2020</b>	<b>971</b>	<b>216</b>	<b>70</b>	<b>32</b>	<b>1,289</b>
<b>Split of Endowments</b>					
Endowments Investments	971	66	70	32	1,139
Endowments Fixed Assets	-	150	-	-	150
	<b>971</b>	<b>216</b>	<b>70</b>	<b>32</b>	<b>1,289</b>

The Fixed Asset Endowments of £150,000 above refer to land owned at Astor Fields, Harlech. This was gifted for use as a general asset of the Organisation. A further £168,000 of the Endowments Investments (divided between all three of the defined Funds) are unrestricted in their application. The headings of the unrestricted funds reflect historical decisions of Coleg Harlech Workers' Educational Association North Wales (CHWEAN).

The majority of the Endowments total, however, is formed of the Tudor Bowen Jones Fund: this is a restricted fund of £971,000 included within the Books, Prizes and Learning Support Materials Fund above. Under the terms of the benefactor's will, the original capital amount that established this Fund is to be retained intact by the Organisation until 2091. The income on that initial capital endowment can be drawn down in order to provide educational resources and materials for the Tudor Bowen Jones Library. In 2019/20: none (2018/19: none) of this income was used to purchase such materials.

Period Ended 31 July 2019					
	Restricted Books, Prizes and Learning Support Materials Fund £'000	Bursaries & Scholar- ships Fund £'000	Unrestricted Books, Prizes and Learning Support Materials Fund £'000	General Purposes Fund £'000	Total £'000
<b>At 1 August 2018 as previously stated</b>	<b>931</b>	<b>212</b>	<b>66</b>	<b>30</b>	<b>1,239</b>
Appreciation of Endowment Investments	47	3	3	1	54
Investment Income for year	19	1	1	1	22
Draw down from Endowments	-	-	-	-	-
Investment Management Expenses	(8)	-	(1)	-	(9)
<b>At 31 July 2019</b>	<b>989</b>	<b>216</b>	<b>69</b>	<b>32</b>	<b>1,306</b>
<b>Split of Endowments</b>					
Endowments Investments	989	66	69	32	1,156
Endowments Fixed Assets	-	150	-	-	150
	<b>989</b>	<b>216</b>	<b>69</b>	<b>32</b>	<b>1,306</b>

## Notes to the accounts (continued)

24	Cash and Cash Equivalents	1 August 2019 £'000	Cash flows £'000	31 July 2020 £'000
	Cash and cash equivalents	3,016	1,059	4,075
	Restricted Funds	10	-	10
	Endowment Asset investments	46	(4)	42
	<b>Total</b>	<b>3,072</b>	<b>1,055</b>	<b>4,127</b>

  

25	Cash and Cash Equivalents	Note	2020 £'000	2019 £'000
	Cash		1	-
	Co-op Bank accounts		-	-
	Handelsbanken bank accounts		2,636	1,782
	Branch Bank accounts		31	34
	Barclays Bank accounts		405	1,200
	Nationwide Building Society		1,002	-
			<b>4,075</b>	<b>3,016</b>
	<b>Restricted Fund Accounts:</b>			
	Keith Evans Fund Account		5	5
	Alwyn Evans Fund Account		5	5
	Dil Llewellyn Fund Account		-	-
	<b>Total cash &amp; cash equivalents</b>		<b>4,085</b>	<b>3,026</b>

  

26	Movement on General Reserves		2020 £'000	2019 £'000
	<b>Income &amp; Expenditure Account Reserve</b>			
	At 1 August		15	1,305
	Surplus for the year on continuing operations		466	68
	Transfer from/(to) branch reserves		4	(11)
	Gain on disposal of assets		-	156
	Actuarial gain/ (loss) in respect of pension scheme	33	(3,328)	(1,503)
			<b>(2,843)</b>	<b>15</b>
	<b>Branch reserves</b>			
	At 1 August		34	23
	Movement for year		(3)	11
			<b>31</b>	<b>34</b>
	<b>Total general reserve</b>		<b>(2,812)</b>	<b>49</b>
	<b>Balance Represented by:</b>			
	Pension Reserve (FRS 102 (28))	33	(6,273)	(2,477)
	Income and expenditure account reserve excluding pension reserve		3,461	2,526
	<b>As at 31 July</b>		<b>(2,812)</b>	<b>49</b>

## Notes to the accounts (continued)

<b>26 Restricted Reserves</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Keith Evans Fund Account (Summer School/Scholarships)	5	5
Alwyn Evans Fund Account (Residential/Scholarships)	5	5
Dil Llewellyn Fund Account	-	-
<b>As at 31 July</b>	<b>10</b>	<b>10</b>

<b>27 Revaluation Reserve</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>At 1 August</b>	-	-
Transfer from Revaluation Reserve to General Reserve in respect of Revaluation of assets	-	-
<b>At 31 July</b>	<b>-</b>	<b>-</b>

## 28 Capital Commitments

There were no capital commitments at year end.

## 29 Lease Obligations

At 31 July the Organisation had minimum lease payments under non-cancellable operating leases as follows:

<b>Future minimum lease payments due</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Land and buildings</b>		
Not later than one year	28	55
Later than one year and not later than five years	43	71
Later than five years	-	-
	<b>71</b>	<b>126</b>
<b>Other</b>		
Not later than one year	12	21
Later than one year and not later than five years	23	8
Later than five years	-	-
	<b>35</b>	<b>29</b>

## 30 Exceptional Items

There were no exceptional items during the year.

## Notes to the accounts (continued)

## 31 Related Party Transactions

Due to the nature of the Organisation's operations and the composition of the Governing Body 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 Governing Body may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Organisation's financial regulations and normal procurement procedures.

The total expenses paid to Governors during the year was £1,285; 21 Governors (2019: £6,408; 21 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.

During the year 3 staff Governors (1 resigned 26 November 2019) received remuneration from the Organisation to the value of £57,586 (2019: 4 staff Governors; £60,886). No other Governor has received remuneration or waived payments from the Organisation during the year (2019: nil).

**Neath & Port Talbot CBC** - Councillor Sonia Reynolds was a Governor of the Organisation during the year. Sales transactions in the year amounted to £6,334 (2019: £4,770). There were no purchase transactions or balances outstanding at the year end (2019: nil).

**Canolfan Maerdy** - Councillor Sonia Reynolds was a Governor of the Organisation during the year and a Director of Canolfan Maerdy. There were no sales transactions during the year (2019: £30). There were no purchase transactions or balances outstanding at the year end (2019: nil).

**Wales TUC Cymru** - Julie Cook was a Governor of the Organisation during the year and employed by Wales TUC Cymru. Sales transactions in the year amounted to £117,380 (2019: £171,704). There were balances outstanding at the year end of £45,585 (2019: nil). Purchase transactions amounted to £3,150 (2019: nil).

**Bridgend CBC** - Guy Wallace Smith was a Governor of the Organisation during the year and employed by Bridgend CBC. Sales transactions amounted to £6,134 (2019: £1,428). There were no purchase transactions or balances outstanding at the year end (2019: nil).

**Carmarthenshire CC** - Suzanne Samuel was a Governor of the Organisation during the year and employed by Carmarthenshire CC. Sales transactions amounted to £550 (2019: £280). There were no purchase transactions or balances outstanding at the year end (2019: nil).

**Open University** - Daryl Leeworthy was a Governor of the Organisation during the year and employed by the Open University during the period Sept 2019 to Jan 2020. There were no sales transactions during the year (2019: £59,250). There were no purchase transactions or balances outstanding at the year end (2019: nil).

**Swansea University** - Daryl Leeworthy was a Governor of the Organisation during the year and employed by Swansea University from April 2020. There were no sales or purchase transactions during the year (2019: nil). There were no balances outstanding at the year end (2019: nil).

## 32 AMOUNTS DISBURSED AS AGENT

## Learner Support Fund - Financial Contingency Fund (FCF)

	Year Ended 31 July 2020 £'000	Year Ended 31 July 2019 £'000
WG Grant for year	46	59
Interest earned	-	-
	<b>46</b>	<b>59</b>
Paid to third party *	24	49
Disbursed to students **	1	1
Other including administration costs	2	2
<b>Balances unspent as at 31 July, including accrued income</b>	<b>19</b>	<b>7</b>

Welsh Government FCF grants are available solely for eligible students.

\* Where the Organisation has paid a third party, the related Income and Expenditure has been included within the Statement of Comprehensive Income.

\*\* Where the Organisation acts as a paying agent the grants and related disbursements are excluded from the Statement of Comprehensive Income.



## Notes to the accounts (continued)

## 33 Pension and Similar Obligations

The Organisation's employees belong to two principal post-employment plans: 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 multi-employer defined-benefit plans.

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 2016 and of the LGPS 31 March 2016 also.

<b>Total pension cost for the year</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Teachers' Pension Scheme (TPS): contributions paid	241	155
Aviva Pension Scheme	-	-
Local Government Pension Scheme:		
Contributions paid Cardiff & Vale of Glamorgan (CVG)	471	452
Contributions paid Gwynedd (GC)	220	233
FRS 102 (28) charge Cardiff & Vale	251	99
FRS 102 (28) charge Gwynedd	<u>168</u>	<u>23</u>
<b>Charge to the Statement of Comprehensive Income</b>	<b>1,110</b>	<b>806</b>
Enhanced pension charge to Statement of Comprehensive Income	-	-
<b>Total Pension Cost for Year within staff costs</b>	<b><u>1,351</u></b>	<b><u>962</u></b>

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year (2018/19: nil) included within creditors.

**Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by the UK Parliament.

Under the definition set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The Organisation is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the Organisation has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The Organisation has set out above the information available on the plan and the implications for the Organisation in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

## Notes to the accounts (continued)

## 33 Pension and Similar Obligations (continued)

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (DfE) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion, giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £240,641 (2019: £155,391).

**Local Government Pension Scheme**

The LGPS is a funded defined-benefit plan, 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 2019 was £851,900 of which employer's contributions totalled £688,955 and employees' contributions totalled £162,945. The agreed contribution rates for future years are 28.9% for Cardiff & Vale of Glamorgan LGPS and 23.7% for Gwynedd LGPS for the Organisation and range from 5.5% to 12.5% for employees, depending on salary.

Due mainly to the exceptional circumstances linked to the Covid-19 pandemic, the net pension liability recognised on the balance sheet has increased to £6.3million at 31 July 2020 compared to £2.5million at 31 July 2019. This is due mainly to reduced yields on corporate bonds (upon which the discount rate is determined) and volatile investment returns linked to the pandemic.

**Local Government Pension Scheme - Cardiff & Vale of Glamorgan LGPS****Principal Actuarial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2020 by AON:

	At 31 July 2020	At 31 July 2019
	% pa	% pa
Discount rate	1.4	2.2
CPI Inflation	2.2	2.2
Pension Increase	2.2	2.2
Pension accounts revaluation rate	2.2	2.2
Salary increases	3.2	3.2

**Mortality Assumptions**

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 2020	At 31 July 2019
	years	years
<b>Retiring today</b>		
Male	22.2	22.1
Female	24.6	24.5
<b>Retiring in 20 years</b>		
Male	23.2	22.7
Female	26.0	25.6

## Notes to the accounts (continued)

## 33 Pension and Similar Obligations (continued)

## Local Government Pension Scheme - Cardiff &amp; Vale of Glamorgan LGPS (continued)

Asset allocation and expected return on assets	Value at 31 July 2020 %	Value at 31 July 2019 %
Equities	61.1	64.9
Property	8.2	7.2
Government bonds	12.0	9.9
Corporate bonds	17.1	11.0
Cash	1.4	1.9
Other	0.2	5.1
<b>Total</b>	<b>100</b>	<b>100</b>

## Reconciliation of funded status to Balance Sheet

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2020 £'000	2019 £'000
Fair value of plan assets	7,050	6,627
Present value of plan liabilities	(10,632)	(7,433)
<b>Net pensions (liability)/asset</b>	<b>(3,582)</b>	<b>(806)</b>

The split of the liabilities at the last valuation between the various categories of members is as follows:

Active members	78%
Deferred Pensioners	8%
Pensioners	14%

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2020 £'000	2019 £'000
<b>Amounts included in staff costs</b>		
Current service cost	646	552
Past service costs	76	-
<b>Total</b>	<b>722</b>	<b>552</b>

## Amounts included in Finance costs (Note 13)

Net interest on defined pension liability	12	(1)
<b>Total</b>	<b>734</b>	<b>551</b>

## Amount recognised in Other Comprehensive Income

Asset gains/(losses) arising during the period	(280)	181
Liability gains/(losses) arising during the period	(2,233)	(720)
<b>Total amount recognised in Other Comprehensive Income</b>	<b>(2,513)</b>	<b>(539)</b>

## Notes to the accounts (continued)

## 33 Pension and Similar Obligations (continued)

## Local Government Pension Scheme - Cardiff &amp; Vale of Glamorgan LGPS (continued)

	2020	2019
	£'000	£'000
<b>Actual Return on Assets</b>		
Interest income on plan assets	152	164
Gain / (loss) on assets	(280)	181
<b>Actual return on assets</b>	<b>(128)</b>	<b>345</b>
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Movement in net defined benefit (liability) / asset during year</b>		
<b>Net defined benefit (liability) / asset in scheme at 1 August</b>	<b>(806)</b>	<b>(169)</b>
Movement in year:		
Current service costs	(646)	(552)
Past service costs	(76)	-
Employer contributions	471	453
Net interest on the defined (liability) / asset	(12)	1
Actuarial gain / (loss)	(2,513)	(539)
<b>Net defined benefit (liability) / asset in scheme at 31 July</b>	<b>(3,582)</b>	<b>(806)</b>
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes to the present value of the defined benefit obligation</b>		
<b>Opening defined benefit obligation</b>	<b>7,433</b>	<b>5,626</b>
Current Service Cost	646	552
Interest expense on defined benefit obligation	164	163
Contributions by Scheme participants	110	111
Experience (gains) / losses on defined benefit obligations	2,233	720
Net Benefits paid out	(30)	261
Past Service Cost	76	-
<b>Closing defined benefit obligation</b>	<b>10,632</b>	<b>7,433</b>
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the fair value of plan assets</b>		
<b>Opening fair value of plan assets</b>	<b>6,627</b>	<b>5,457</b>
Interest income on plan assets	152	164
Remeasurement gains / (losses) on plan assets	(280)	181
Contributions by employer	471	453
Contributions by Scheme participants	110	111
Net benefits paid out	(30)	261
<b>Closing fair value of plan assets</b>	<b>7,050</b>	<b>6,627</b>

**Deficit contributions**

The Organisation has entered into an agreement with the Cardiff & Vale LGPS to make additional contributions of £22,700 (2019) and £23,400 (2020) in addition to normal funding levels. After a triennial valuation in March 2019 the contribution rate was increased to 28.9% with no additional deficit payments due for the next three years. This situation will be reviewed at the next valuation.

## Notes to the accounts (continued)

## 33 Pension and Similar Obligations (continued)

## Local Government Pension Scheme - Gwynedd LGPS

## Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by Hymans Robertson LLP:

	At 31 July 2020 % pa	At 31 July 2019 % pa
Discount Rate	1.4	2.1
Pension Increase Rate	2.2	2.4
Salary Increase Rate	2.5	2.4

## Mortality Assumptions

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 2020 years	At 31 July 2019 years
<b><i>Retiring today</i></b>		
Male	21.3	22.0
Female	23.4	24.2
<b><i>Retiring in 20 years</i></b>		
Male	22.2	24.0
Female	25.1	26.4

Asset allocation and expected return on assets	Value at 31 July 2020 %	Value at 31 July 2019 %
Equities	78	78
Property	9	8
Bonds	0	0
Cash	13	14
<b>Total</b>	<b>100</b>	<b>100</b>

## Reconciliation of funded status to Balance Sheet

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2020 £'000	2019 £'000
Fair value of plan assets	7,054	6,642
Present value of plan liabilities	(9,745)	(8,313)
<b>Net pensions (liability)/asset</b>	<b>(2,691)</b>	<b>(1,671)</b>

## Notes to the accounts (continued)

## 33 Pension and Similar Obligations (continued)

## Local Government Pension Scheme - Gwynedd LGPS (continued)

The split of the liabilities at the last valuation between the various categories of members is as follows:

Active members	23%
Deferred Pensioners	38%
Pensioners	39%

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2020 £'000	2019 £'000
<b>Amounts included in staff costs</b>		
Current service cost	388	256
Past service costs	-	-
<b>Total</b>	<b>388</b>	<b>256</b>

## Amounts included in Finance costs (Note 13)

Net interest on defined pension liability	37	19
<b>Total</b>	<b>425</b>	<b>275</b>

## Amount recognised in Other Comprehensive Income

Asset gains/(losses) arising during the period	209	175
Liability gains/(losses) arising during the period	(1,024)	(1,139)
<b>Total amount recognised in Other Comprehensive Income</b>	<b>(815)</b>	<b>(964)</b>

	2020 £'000	2019 £'000
<b>Actual Return on Assets</b>		
Interest income on plan assets	140	180
Gain / (loss) on assets	209	175
<b>Actual return on assets</b>	<b>349</b>	<b>355</b>

	2020 £'000	2019 £'000
<b>Movement in net defined benefit (liability) / asset during year</b>		
<b>Net defined benefit (liability) / asset in scheme at 1 August</b>	<b>(1,671)</b>	<b>(665)</b>
Movement in year:		
Current service costs	(388)	(256)
Past service costs	-	-
Employer contributions	220	233
Net interest on the defined (liability) / asset	(37)	(19)
Actuarial gain / (loss)	(815)	(964)
<b>Net defined benefit (liability) / asset in scheme at 31 July</b>	<b>(2,691)</b>	<b>(1,671)</b>

## Notes to the accounts (continued)

## 33 Pension and Similar Obligations (continued)

Local Government Pension Scheme - Gwynedd LGPS (continued)	2020 £'000	2019 £'000
<b>Changes to the present value of the defined benefit obligation</b>		
<b>Opening defined benefit obligation</b>	<b>8,313</b>	<b>7,272</b>
Current Service Cost	388	256
Past Service Cost	-	-
Interest expense on defined benefit obligation	177	199
Contributions by Scheme participants	51	46
Experience (gains) / losses on defined benefit obligations	1,024	1,139
Net Benefits paid out	(208)	(599)
<b>Closing defined benefit obligation</b>	<b>9,745</b>	<b>8,313</b>
	<b>2020</b>	<b>2019</b>
<b>Changes in the fair value of plan assets</b>	<b>£'000</b>	<b>£'000</b>
<b>Opening fair value of plan assets</b>	<b>6,642</b>	<b>6,607</b>
Interest income on plan assets	140	180
Remeasurement gains / (losses) on plan assets	209	175
Contributions by employer	220	233
Contributions by Scheme participants	51	46
Net benefits paid out	(208)	(599)
<b>Closing fair value of plan assets</b>	<b>7,054</b>	<b>6,642</b>

The Organisation has entered into an agreement with Cyngor Gwynedd Council to make additional contributions of £33,000 (2019) and £22,000 (2020) in addition to normal funding levels. After a triennial valuation in March 2019 the contribution rate was decreased to 23.7% with no additional deficit payments due for the next three years. This situation will be reviewed at the next valuation.

The figures disclosed within these accounts relating to the Cardiff & Vale and Gwynedd Local Government Pensions schemes reflect the impact of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 2% of the total scheme liability as at 31 July 2020. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption.

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the Consumer Price Index (CPI). If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pa increase would increase the estimated cost by 65%.

