



Gower College Swansea  
Coleg Gŵyr Abertawe

# **Gower College Swansea**

## **Annual Report and Financial Statements for the year ended 31 July 2016**

## **Key Management Personnel, Board of Governors and Professional advisers**

### **Key management personnel**

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2015/16:

Mark Jones, Principal and CEO; Accounting officer  
Paul Harris, Vice Principal Corporate Services  
Kay Morgan, Vice Principal Academic Services

### **Board of Governors**

A full list of Governors is given on pages 23-24 of these financial statements.

Mrs S Barron acted as Clerk to the Corporation throughout the period.

### **Professional advisers**

#### **Financial statements auditor and reporting accountants:**

Mazars LLP  
90 Victoria Street  
Bristol  
BS1 6DP

#### **Internal auditors:**

TIAA Limited  
53 – 55 Gosport Business Centre  
Aerodrome Road  
Gosport  
PO13 0FQ

#### **Bankers:**

HSBC  
1 Alexandra Road  
Gorseinon  
Swansea  
SA4 4NJ

Barclays  
1-3 Windsor Place  
Cardiff  
CF10 3BX

#### **Solicitors:**

Blake Morgan  
Swansea Enterprise Park  
Castle Court  
Swansea  
SA7 9LZ

## CONTENTS

	<b>Page number</b>
Report of the Governing Body	4
Statement of Corporate Governance and Internal Control	22
Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding	30
Statement of Responsibilities of the Members of the Corporation	31
Independent Auditor's Report to the Corporation of Gower College Swansea	33
Consolidated and College Statement of Comprehensive Income	35
Consolidated and College Statement of Changes in Reserves	36
Balance Sheets as at 31 July	37
Consolidated Statement of Cash Flows	38
Notes to the Accounts	39

## Report of the Governing Body

The members present their report and the audited financial statements for the year ended 31 July 2016.

### Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Gower College Swansea. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

### Mission

Governors reviewed the College's mission during 2015/16 and in May 2016 adopted a revised mission statement as follows:

**"To inspire and support our learners to achieve their full potential through the delivery of the highest quality of education and training"**

The Mission Statement is underpinned by the College's Vision:

**"To be the best choice for learners"**

Going forward, we have identified four 'core' strategic directions and associated aims that will support the College in delivering its vision and mission.

The four strategic directions are:

- LEARNER – put the learner at the centre of everything we do.
- QUALITY - deliver the highest quality possible in everything we do.
- IMPACT – achieve the highest possible positive impact on the economic and social wellbeing of Swansea and South West Wales.
- EXCELLENCE – strive to be an excellent organisation, growing sustainably, innovating and investing.

### Public Benefit

Gower College Swansea is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Welsh Government. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 23 - 24.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be

# Gower College Swansea

---

recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Links with UK Universities in furtherance of higher education opportunities
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

## Background

Gower College Swansea operates across the city of Swansea on a number of sites: Gorseinon Campus, Tycoch Campus, Hill House Campus, Llwyn y Bryn Campus, Sketty Hall and the GCS Training Centre, plus a city centre site which is currently due for refurbishment. A large number of students attend the College from outside the city, some travelling considerable distances to do so.

Our aim here is to have progression opportunities from entry to undergraduate level of study with appropriate levels of support for students whatever their starting point. We are determined to support DFES policies in ensuring that vocational learning leads to worthwhile outcomes.

## Implementation of strategic plan

In October 2016, the College adopted a strategic plan for the period 1 August 2016 to 31 July 2020.

The strategic plan includes targets relating to Quality, Students, Enrolments, Finance and Estates, Staff and Excellence. The targets are set in both absolute terms and in a number of targets reference is made to the College's relative performance in terms of other FE colleges.

In addition, the strategic plan is supported by a more detailed Annual Operational Plan which is then linked to departmental plans.

The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year.

The College is on target for achieving these objectives. A series of performance indicators have been agreed to monitor the successful implementation of the policies.

The College is committed to observing the importance of sector measures and indicators and data produced by Welsh Government which looks at measures such as success rates.

# **Gower College Swansea**

---

The College is required to complete the annual Finance Record for the Welsh Government. The College analyses its financial performance in relation to the other Welsh FE colleges and uses this benchmarking information to set future targets. The College uses the guidelines issued by the Welsh Government to inform its review of its Financial Health. The College has self-assessed itself as having a "Category A" financial health grading. Welsh Government defines Category A as "The institution's financial position and its financial strategy fully support the institutional plan".

## **People**

The College employs 666 people (expressed as full time equivalents (FTEs)), of whom 471 are in teaching departments. A further 36 FTE staff are employed at Track Training Limited.

## **Reputation**

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

## **Student numbers**

In 2015/16 the College has delivered activity that has produced £22.4 million in funding body main allocation funding (2014/15 – £25.9 million). The College had approximately 4,300 full time students and 3,500 part time students.

## **Student achievements**

Students continue to prosper at the College. Success rates rose in 2014/15 from 2013/14 from 85.6 per cent to 86.1 per cent.

## **Curriculum developments**

The significant reduction in funding from Welsh Government of £3.5 million resulted in the College undertaking a review of available funded provision. The College followed priorities identified by Welsh Government and retained provision for full time students and part time students studying essential skills, independent living skills and ESOL.

However, other part time courses were reviewed, with the College looking to retain courses which were related to future employability. This resulted in a reduction in many part time courses in areas such as creative arts, languages and IT.

The College has a strong reputation for curriculum innovation and change. It has introduced new courses in many areas of the curriculum in order to meet student needs better. A particular strength is the breadth of provision to students of different abilities.

## **Gower College Swansea**

---

A number of our students have low levels of prior educational achievement. The College is growing the range of courses aimed at students who are at risk of becoming NEET (Not in Employment, Education or Training). Initiatives include the development of "The Bridge" programme and Level 1 Vocational Studies programmes to provide tasters to keep young people in education and to progress on to vocational programs the following year.

The College is also working closely with local schools through the delivery of its "KickStart" programmes for potentially disengaged 14-16 year olds. The programme provides a range of activities with the aim of engaging the young people to encourage them to continue in education post-16.

The College continues to offer a wide range of Level 3 programmes including over 40 different A Level subjects. The A Level programme is enhanced by a specialist tutorial programme for those applying to Oxbridge or to medical professions. The College is proud that 6 students from this summer's exams have progressed to Oxbridge with around a further 200 progressing to Russel Group Universities.

This progression has been enhanced through the College's engagement with Cambridge University through their HE+ programme and being the lead on the WG funded Seren Hub activities.

The College recognises that many students wish to study higher education in the local area. The College has good relationships with local HEIs and has increased the number of Higher Education courses delivered within the College through franchise arrangements. It is part of the College strategy to continue to develop these level 4 and level 5 courses with partner HEIs to grow the level of HE activity at Gower College Swansea.

## Quality and Standards

Estyn last undertook a full inspection of all mainstream FE provision at the College in January 2012. The outcomes of the inspection and subsequent internal judgements are set out below:

	<b>2011/12</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>Estyn Judgement</b>	<b>College Judgement</b>	<b>College Judgement</b>	<b>College Judgement</b>
<b>Key Question 1 –</b> How good are outcomes?				
1.1 Standards	Good	Good	Good	Good
1.2 Wellbeing	Good	Good	Good	Good
<b>Key Question 2 –</b> How good is provision?	Good	Good	Good	Good
<b>Key Question 3 –</b> How good are leadership and management?	Good	Good	Good	Good
<b>Overall Rating</b>	<b>Good</b>	<b>Good</b>	<b>Good</b>	<b>Good</b>

The focus that the College has placed over the past few years on improving its success rate has had a positive impact showing an upward trend with the latest verified data (2014/15) at 86%.

	<b>College</b>	<b>Sector Average</b>
2010/11	73%	80%
2011/12	75%	82%
2012/13	83%	84%
2013/14	86%	85%
2014/15	86%	86%



## Gower College Swansea

---

This has been achieved through a combination of attention to data accuracy and timely certification claims plus a focus on underperforming courses achieved through the implementation of a Quality Improvement Plan.

In the 2016/17 operational plan a target of 88% for successful completion has been set.

### Results

The provisional results of full-time students at Gower College Swansea for 2015/16 can be summarised as follows:

<b>A Levels</b>	<b>Enrolments</b>	<b>Retention</b>	<b>Attainment</b>	<b>Successful Completion</b>
2010/11	1,894	94%	95%	90%
2011/12	1,723	90%	98%	88%
2012/13	1,666	94%	95%	90%
2013/14	1,738	94%	96%	90%
2014/15	1,608	96%	96%	92%
2015/16	1,734	98%	98%	96%

<b>AS Levels</b>	<b>Enrolments</b>	<b>Retention</b>	<b>Attainment</b>	<b>Successful Completion</b>
2010/11	3,217	83%	79%	65%
2011/12	2,954	82%	87%	71%
2012/13	2,875	86%	84%	73%
2013/14	2,953	86%	83%	71%
2014/15	2,700	90%	85%	77%
2015/16	2,761	92%	86%	80%

# Gower College Swansea

---

<b>Vocational Level 3</b>	<b>Enrolments</b>	<b>Retention</b>	<b>Attainment</b>	<b>Successful Completion</b>
2010/11	1,981	93%	87%	81%
2011/12	1,867	91%	92%	82%
2012/13	1,629	88%	84%	74%
2013/14	1,667	90%	86%	78%
2014/15	1,618	86%	93%	79%
2015/16	1,583	88%	93%	82%

## Work Based Learning (WBL)

The College provides a range of training through Apprenticeships and the Work Ready programmes through its Work Based Learning contract.

Gower College Swansea is the lead contractor for the PS4 contract under WBL with an annual value of approximately £4 million. Historically, 55% of this contract was delivered by City and County of Swansea (CCOS) through its employment training arm: LLETs. During the year, CCOS transferred the provision, learners and associated staff to the College under TUPE arrangements.

The provisional performance for 2015/16 can be summarised as:

<b>Programme</b>	<b>Measure</b>	<b>Achievement (%) 2013 /14</b>	<b>Achievement (%) 2014/15</b>	<b>Achievement (%) 2015/16</b>	<b>National comparator</b>
<b>Apprenticeships</b>	Framework success	85%	86%	78%	86%

A key focus for the College is the improvement of framework success rates relating to work based learning with the aim to exceed the sector benchmark in all areas.

Estyn undertook an inspection of the College's Work Based Learning (WBL) provision during the year. The inspection, during February 2016, was based on the verified data for the College and for the activity delivered by LLETs and its sub-contractors up to 31 March 2015 and the unverified data from 1 April 2015 onwards.

The inspection results were:

	<b>2015/16 Estyn Judgement</b>
<b>Key Question 1 - How good are outcomes?</b>	
1.1 Standards	<b>Adequate</b>
1.2 Well Being	<b>Good</b>
<b>Key Question 2 - How good is provision?</b>	<b>Adequate</b>
<b>Key Question 3 - How good are leadership and management?</b>	<b>Adequate</b>
<b>Overall Rating</b>	<b>Adequate</b>
<b>Prospects for Improvement</b>	<b>Adequate</b>

The College is disappointed with the outcome of the inspection which was undertaken at the closing stages of the negotiations between the College and CCOS for the transfer of the WBL contract to the College (with the transfer of the contract arising less than 2 months later).

While the College had started to address issues under the new consortium arrangements the lengthy consultation over the transfer of the contract limited the time available to develop the consortium working practices by the time of the inspection.

The College has since developed a comprehensive action plan to address the issues raised during the inspection as well as those resulting from the new arrangements and is working to ensure that all the activity under the new contract can benefit from sharing of the good practice that does exist.

The College is confident that now the transfer of the contract is complete the necessary improvements will be made and the WBL activity will be in a much stronger position moving forward.

## Financial Performance

The College's educational performance is backed up with a sound and robust financial performance. The College's underlying financial performance, measured as "Adjusted EBITDA" (and defined as EBITDA before exceptional items and actuarial pension adjustments) has improved in comparison with the prior year:

	2014/15 £000	2015/16 £000
<b>"Adjusted EBITDA"</b>	<b>2,476</b>	<b>2,704</b>
Depreciation and amortisation (net of grants)	(1,342)	(1,501)
Exceptional staff costs	(848)	(105)
Net interest receivable	42	47
Loss on disposal of fixed assets	(19)	(31)
Taxation	-	(8)
Minority interest	-	(2)
<b>Surplus before pension adjustments</b>	<b>309</b>	<b>1,104</b>
Actuarial pension adjustments	(3,730)	(9,700)
<b>Deficit for the year</b>	<b>(3,421)</b>	<b>(8,596)</b>

## Financial results

The Group generated a consolidated surplus (before actuarial pension scheme charges) of £1,104,000 (2014/15 – £309,000), with total comprehensive income of (£8,596,000), (2014/15 - (£3,421,000)).

For 2015/16, funding for the College was reduced by 13.4% resulting in a cash decrease of £3.5 million in relation to the recurrent grant and the funding for the delivery of work place skills to employed workers. At the same time as this disappointing decrease in funding from Welsh Government, the College has met contractual scale point movements on the staffing pay scale and also:

- Funded a 1% cost of living pay increase for staff.
- Funded an increase in employer pension contributions (from 14.1% to 16.48%) to the TPS Pension Scheme from September 2015.
- Funded an increase in employer national insurance contributions from April 2016 which has arisen from the removal of the NI rebate for staff participating in a defined benefit pension scheme.

# Gower College Swansea

---

Against this back-drop, the generation of a small surplus for reinvestment in the College represents a commendable performance. The College also recognises the need for future investment, including the development of its estate to meet the future needs of the learner. Therefore, the College continues to provide the resources for this future investment.

The Group has accumulated reserves of £9,269,000 and cash and short term investment balances of £8,909,000. The Group continues to generate cash surpluses annually for investment in the infrastructure of the College.

Tangible fixed asset additions during the year amounted to £1,665,000. This was split between improvement to land and buildings of £410,000 and equipment purchased of £1,255,000.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16, Welsh Government provided 62% (2014/15: 70%) of the Group's total income through the recurrent grant. It is a key College target within the strategic plan to further reduce the level of reliance on recurrent grant income from Welsh Government, as it has done successfully in the past 12 months.

In September 2015, the College acquired 80% of Track Training Limited ("Track"). Track are a successful training provider based in South Wales, delivering training across the whole of the UK. In the current year, the profit before tax and group recharges generated by Track amounted to £83,000.

The acquisition of Track will complement the College's own employer engagement activities and generate income and surpluses which are not reliant on Welsh Government funding.

## ***Treasury policies and objectives***

Treasury management is the management of the College'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.

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum with the Welsh Government.

## ***Cash flows and liquidity***

At £1.3 million (2014/15 £2.8 million), net cash flow from operating activities was reasonably strong.

The College has not required any additional borrowing in recent years. Current borrowing levels are low and estate developments have been funded through a mixture of cash reserves and Welsh Government grants.

# Gower College Swansea

---

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded.

The College will also strive to achieve further efficiencies through procurement initiatives and collaboration with other public sector institutions. During the year, the College achieved procurement savings of 5% which exceeds the Welsh Government target of 3%.

## *Creditor Payments*

The College is aware of its obligations under The Late Payment of Commercial Debt (Interest) Act 1998. It is the College policy for all suppliers to be paid within the payment terms of each individual supplier. During the year, the College made payments on average within 34 days (2014/15: 28 days) from the date of the invoice. The College did not incur any interest under The Late Payment of Commercial Debts (Interest) Act 1998.

## **Estates Strategy**

Our vision is that the College will have first class facilities for all its learners.

During the year, the College has developed its plans for the Hill House campus, adjacent to the Tycoch Campus. Many support functions have been relocated to this campus and during the coming year the College will complete construction of a roadway linking the two sites.

The relocation of these support functions will allow the College to redevelop the front of the Tycoch Campus. In Autumn 2016, development is due to commence on a £3 million refurbishment to create better and additional facilities for our students. This development is part funded by capital grants from Welsh Government.

In April 2016 the City & County of Swansea transferred its WBL provision to the College. As part of this transfer the College now operates out of an additional site at Jubilee Court to deliver WBL and work placed learning to employers. This growth, along with the ESF funded Skills for Industry project is a key driver in the College's plans to engage with employers.

## **HR Matters - Harmonisation of Staff Contracts**

Work on harmonising contracts of employment has been a significant challenge for the FE sector in Wales. The National Common Contract of Employment (agreed following negotiations between the Welsh FE Colleges and the Joint Trade Unions) was offered to all staff during the year, with more than 90% moving to these terms and conditions in September 2014.

All new staff since that date have also been employed on the National Common Contract with the remainder of the College staff coming across to the National Common Contract from 1 September 2016.

## **Risk Management, Principal Risks and Uncertainties**

The College Risk Management Committee meets at least termly and is constituted of senior managers of the College and is chaired by the Vice Principal, Corporate Services. At each meeting a review is performed of the risks to which the College is exposed.

The College 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 the College's assets and reputation.

Based on the strategic plan, the Risk Management Committee undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. 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 Risk Management Committee will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by a risk management training programme to raise awareness of risk throughout the College.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

### *Welsh Government recurrent grant*

The College has considerable reliance on continued government funding through the Welsh Government (WG). In 2015/16, 62% (2014/15: 70%) of the Group's revenue was via the recurrent grant from Welsh Government. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding. In the current economic climate WG are reviewing all streams of funding and in particular funding post-16 education and further education is not currently "protected" by WG. Therefore potential cuts to the overall education budget may impact the FE sector more adversely than other areas.

# Gower College Swansea

---

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the Welsh Government both directly by the College and through ColegauCymru.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies.

The College is actively seeking alternative and additional sources of funding.

During the year the College acquired 80% of the share capital of Track Training Limited, one of Wales' leading training and development providers, who operate across the UK in the delivery of business improvement and "Six Sigma" qualifications.

The College is also looking to develop its international activity.

## *European Funding/Brexit referendum*

The College is the lead partner on a large ESF project called Skills for Industry. The project focuses on employer engagement and delivers work placed training to staff at local employers throughout the region. Indications from the UK government are that funding arrangements will be honoured. There remains however an element of uncertainty as to the total quantum of post Brexit funding and the duration for which this will be available.

This is partially mitigated by ongoing dialogue with the Welsh European Funding Office (WEFO) to determine scope of future funding and the ability to extend the project to maximise the duration for which funding is available.

## *Diamond Review of Higher Education in Wales*

In September 2016, Professor Diamond completed his review of Higher Education funding in Wales. The report has a number of key recommendations around Welsh Government support to students and the ability of institutions to deliver programmes. The potential removal of the WG subsidy to Welsh domiciled students may result in fewer students undertaking HE courses in FE institutions.

## *Payroll Costs*

Although the requirement for Welsh FE Colleges to maintain pay parity with schools has been removed by Welsh Government, the ability to flexibly control pay remains challenging due to the nature of contractual pay scales and pressures to make cost of living pay awards.

In September 2015, the employers' pension contribution rate to the Teachers' Pension Scheme (TPS) increased from 14.1% to 16.48%. Further, in April 2016 the national insurance rebate in respect of staff who are members of pension



# Gower College Swansea

---

schemes was also removed. The combined annual impact of these two changes is estimated as £600,000.

In September 2017, the College will be required to auto enrol all staff into the workplace pension scheme. Historical experience from the Pension Regulator suggests a high percentage of staff will remain in the pension scheme.

Changes to the funding of the TPS announced in the March 2016 budget also suggests that (if no other assumptions are changed) then employers contribution rates to the TPS could rise to just over 18% and would impact on employers from April 2019.

## *IT Infrastructure*

All organisations are becoming ever more dependent on their IT systems, and colleges are no exceptions. As the College continues to invest in its IT infrastructure, the risks affecting the College continue to increase. The number of malicious external attacks on all organisations is increasing.

The College is focused on continuously improving the robustness of its IT systems and will be investing further to achieve ISO:27001 (Information Assurance Standard) over the coming year. This will continue to be supplemented by firewalls, filtering, anti-virus software and regular briefings to staff.

## *Maintain adequate funding of pension liabilities*

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. The change in measurement requirements under FRS102, combined with significant reductions in AAA bond rates following Brexit has resulted in an increase in the LGPS pension deficit to £24.5 million (2015: £14.8 million).

## **Health, Safety and The Environment**

The College is committed to providing a safe learning environment for students and staff. The College Health & Safety Committee meets to ensure robust processes and procedures are in place for all aspects of College life and particular emphasis is placed on areas such as educational trips and third party premises used by students as part of their work placement. The College has a dedicated Health, Safety and Environment Manager.

The number of RIDDORS (reportable accidents) in this year was 5 (prior year: 7). A thorough review has not identified any systematic issues and the College remains committed to eliminating all RIDDORS.

The College also operates a comprehensive risk assessment process with all risk assessments being updated annually.

## The Environment

The College continues to promote sustainability and during the year the Environmental, Sustainable Development and Global Citizenship (ESDGC) Group met several times. The ESDGC group includes student members and they have played an active part in ESDGC events in the College.

During the year, the College has reviewed and updated its Sustainable Development Vision and Strategy, incorporating:

- Sustainable Development Strategy
- Sustainable Procurement Assessment Framework
- Environmental Policy Statement
- Energy Water Management Policy
- Procurement Strategy

The College has also been successful in obtaining and maintaining its Green Dragon Level 5 Award for Environmental Management.

The College has achieved Fairtrade Status.

The College produces an annual report on sustainable activities each year.

### *Energy*

The College is focussed on reducing electricity consumption through the introduction of LED lighting, installation of voltage optimisation units and “switch-off” initiatives.

The College has recently replaced a number of old boilers on the Gorseinon Campus and Hill House sites, which will result in more efficient heating of the premises.

### *Waste*

The College encourages all staff to minimise waste in line with reduce, reuse and recycle. Recycling bins are available across all sites and are collected separately by the College’s waste disposal contractor. The number of such bins has been increased over the last year. The majority of College waste that is not recyclable goes to incineration with the resultant outputs being recycled.

As the College looks to further develop its estate it will seek to meet the high BREEAM standards set by WG for public sector new build projects. The recently completed new Teaching Block on the Gorseinon campus was constructed to meet BREEAM’s Excellence Standard.

### *Modern Slavery*

In accordance with the Modern Slavery Act 2015, the College has adopted and approved its Slavery and Human Trafficking Statement.

## **Equal opportunities**

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The Strategic Equality Plan and the annual Equality and Diversity Progress Report are published on the College's website.

The College has an established equality and Diversity Committee which includes senior managers and Governors. The College holds an annual Diversity Fayre each autumn term.

The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

During the year the College has developed and adopted the College Inclusion Charter which has been recognised by Welsh Government as good practice in the sector.

## **Governance**

The College has a well-developed governance structure with a fully functioning committee structure and well attended Board meetings. The Board represents a broad range of community and business interests and provides both scrutiny and support for the executive. The Board includes two student representatives and two staff representatives.

Apart from chairing Board meetings, The Chair of Governors has responsibility for the line management of the Principal and the Clerk. In addition there are meetings with strategic partners, inspectors and other external bodies that require his attendance on behalf of the College. He consults regularly with the Principal.

# Gower College Swansea

---

## External Matters

The College enjoys a good reputation nationally as well as locally.

In line with other colleges and with universities, Gower College Swansea has many stakeholders. These include:

- Students and parents
- Welsh Government
- Local schools
- Staff
- Local employers (with specific links)
- Local authorities
- The local community
- Other FE institutions
- Trade unions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

Our staff are involved heavily in the Estyn Peer Inspector programme with more staff receiving initial training this year. These staff will visit other FE institutions as part of the Estyn inspection team and be able to work within the College in our own internal inspection exercises and in sharing good practice. Many staff are involved in the public examination system in Wales and some are senior or chief examiners at A level. This helps us keep abreast of developments in the area of assessment and examination so important for our learners. Other staff act as external verifiers for vocational qualifications which again brings to the organisation valuable insights into best practice and course development.

We are members of the Regional Learning Partnership and sit on its steering and management groups. The RLP has been identified, by the Minister For Education and Skills, as a pioneering model for co-operation across provider sectors and geographical regions. It has overseen the reconfiguration of Higher Education across SW Wales and instituted on-line tools for accessing information about the regions curriculum offer.

Gower College Swansea has been chosen to be Cambridge University's HE+ centre for South Wales, helping to increase the number of talented students gaining entry to this world-class university. The move underlines the esteem in which this College is held by some of the UK's most prestigious HEIs. Six students gained entry to Oxford and Cambridge Universities this year.

Further, the College is the lead in the Seren Hub. The Seren Hub is a collaboration between the College and Swansea Sixth Form schools which will provide support to enable more young people from Wales to gain places at top Universities across the UK.

The College is the lead partner in an ESF project to deliver skills to employees in companies throughout SW Wales. Partners in this project include Pembrokeshire

# Gower College Swansea

---

College, Coleg Sir Gar, Coleg Ceredigion, NPTC Group, University of Wales Trinity St David and WEA Group.

The College plays an influential role in developing the City and County of Swansea's planning of secondary education and has contributed to stakeholder consultations on the way forward for post-16 provision in the area. The Principal is a member of the Swansea Learning Partnership where a range of developments are overseen such as Estyn's inspection of the local Adult Community Learning provision in Swansea, approaches to reducing NEETs in Swansea, and work on improving literacy in all Swansea schools.

## **Disclosure of information to auditors**

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

Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:



**Colin Cornelius**

**Chair of the Corporation**

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1<sup>st</sup> August 2015 to 31<sup>st</sup> July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in accordance with The Governance Code for Further Education published by ColegauCymru in January 2016 ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Governance Code for Further Education published by Colegau Cymru in January 2016, which it formally adopted on 11 February 2016.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

# Gower College Swansea

## The Corporation

The members who served the College during the year and subsequent to the year-end up to the date of signing the Annual Report were as follows:

Governor	Year of Appointment/ Reappointment	Term of Office	Attendance at Corporation Board	Committees Served During the Year
Mr C Cornelius	2012/2016	4 years	7/7	Chairman : Corporation, S&G (Chair), Rem (Chair), F&GP, HR
Mrs C Patel	2010/2014	4 years	4/7	Vice Chair : Corporation Board (from May 2016) HR (Chair), F&GP
Mrs C Green	2012/2016	4 years	6/7	Vice Chair : Corporation (until May 2016) Audit (Vice-Chair), Rem, HR, S&G
Dr D Ashelby	2010/2014	4 years	6/7	C&Q (Chair), F&GP, S&G
Mr J Britton	2010/2014	1 year	4/7	F&GP (Vice Chair), C&Q
Mr T Clark (Staff)	2014	4 years	1/7	Audit, S&G
Mr Rory Daniels (Student)	2015	1 year	5/7	C&Q, LS
Mr A M Day	2012/2016	4 years	4/7	C&Q, HR (Vice-Chair)
Mr A Donald	2010/2014	4 years	4/7	F&GP (Chair), HR, Rem
Mr R George* (Student)	2016 (June)	1 year	n/a	C&Q, LS
Mr M Howells**	2015	1 year (co-opted)		F&GP
	2016	4 Years		F&GP, LS
Mr I James	2015 (resigned April 2016)	4 years	1/4	HR, F&GP
Mr M Jones (Principal and Chief Executive)	2013	Whilst Principal	6/7	C&Q, LS, F&GP
Mr A R Kirby	2010/2014/2015	1 year	6/7	LS (Vice-Chair), S&G
Ms L Lambrick (Student)	2015	1 year	4/7	C&Q, LS
Mr Ceri Low (Staff)	2014	4 years	5/7	Audit LS
Dr P Padley	2010/2014/2015	1 year	7/7	C&Q (Vice Chair), Audit, LS

# Gower College Swansea

Ms F Rees	2010/2014	3 years	5/7	LS (Chair), S&G (Vice Chair), Audit
Mr K Rees*	2016	4 years	n/a	Audit, S&G
Cllr J Raynor	2014	3 year	0/5	
Cllr C Richards	2014	3 year	3/7	
Judge R Singh	2010/2014	4 years	5/7	Audit (Chair)
Mr G Williams	2010/2014	3 years	4/7	C&Q
Mrs S Williams*	2016 (June)	4 years	n/a	HR, LS
Mr S Williams* (Student)	2016 (June)	1 year	n/a	C&Q, LS

Key :			
F&GP	Finance & General Purposes Committee	Rem	Remuneration Committee
HR	Human Resources Committee	C&Q	Curriculum & Quality Committee
S&G	Search & Governance Committee	LS	Learner Support Committee
*	Appointed in June 2016 to serve the 2016/17 academic year onwards	**	Initially co-opted for one year and appointed to a four year term during the year

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance and General Purposes, Human Resources, Remuneration, Search and Governance, Curriculum and Quality, Learner Support and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation.

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

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



# **Gower College Swansea**

---

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

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

## **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee which comprises six governors who are responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. Members of the Corporation are appointed for a term of office not exceeding four years.

## **Chair of Governors**

The role of the Chair of Governors is to chair the Corporation Board meetings. In addition, the Chair is responsible for responding to any matters affecting the College as they arise. However, the Chair has no authority to act other than in support of the decisions taken by the Corporation Board and The Further Education Corporations (Replacement of Instrument and Articles of Government) (Wales) Order 2006.

## **Principal**

The Principal is also a member of the Corporation Board. The Principal is responsible as Accounting Officer (a responsibility defined by Act of Parliament) for the day-to-day running of the College.

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

No Governor, other than the Principal and the Staff Governors, receives any remuneration from the College.

All Governors and Senior Staff of the College are required to complete a Register of Interests Declaration, which is open to inspection.

## **Finance and General Purposes Committee**

The Committee comprises seven Governors and meets to consider, advise and report to the Corporation Board on all aspects of the College's finances, financial policies and controls, and on other matters such as Estates. The Committee met on 5 occasions during 2015/16.

# **Gower College Swansea**

---

## **Human Resources Committee**

The Committee comprises six Governors and meets to consider, advise and report to the Corporation Board on all matters relating to employee issues. The Committee met on 3 occasions during 2015/16.

## **Search and Governance Committee**

The Committee comprises six Governors whose purpose is to advise the Corporation on the appointment of new members of the Corporation and recommend policies and procedures for the induction, appraisal and governance development of the Corporation. The Committee convened on 4 occasions during 2015/16.

## **Curriculum and Quality Committee**

The Committee comprises eight Governors whose purpose is to advise the Corporation Board on the determination of the educational character and mission of the College and to receive and consider internal and external reports on quality assessments following inspections into curriculum areas within the College. The Committee met on 3 occasions during 2015/16.

## **Learner Support Committee**

The Committee comprises of eight Governors whose purpose is to advise the Corporation Board in the arrangements made to support students during their time at the College. The Committee met on 3 occasions during 2015/16.

## **Remuneration Committee**

The Committee's responsibilities are to make recommendations to the Board on the remuneration and other terms and conditions of the Principal and other senior post holders. The Committee has 3 members. The Committee met on 7 December 2015. Details of remuneration for the year ended 31 July 2016 are set out in Note 8 to the Financial Statements.

## **Audit Committee**

The Audit Committee comprises six members of the Corporation (excluding the Principal, Chair and Student Governors). The Committee operates in accordance with written terms of reference approved by the Corporation. The members of the Audit Committee are precluded from sitting on the Finance and General Purposes Committee. The Committee convened on 4 occasions during 2015/16.

The Committee provides a forum for reporting by the College's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the Welsh Government as they affect the College's business.

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

# Gower College Swansea

---

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

The Audit Committee also advises the Corporation on the appointment of internal and financial statement auditors and their remuneration for both audit and non-audit work.

## **Minutes of Meetings**

Minutes are retained of all Corporation Board and Committee meetings. The minutes of the Committee meetings are provided to all Governors subject to the exclusions described in The Further Education Corporations (Replacement of Instrument and Articles of Government) (Wales) Order 2006 and reports are received by the Corporation Board from the Chairs of the various Committees.

Minutes of the Corporation Board meetings are made available to the public subject to the exclusions described in The Further Education Corporations (Replacement of Instrument and Articles of Government) (Wales) Order 2006. The Board minutes incorporate any significant matters reported by the Committees. The minutes are available from the Clerk to the Corporation.

## **Internal control**

### *Scope of responsibility*

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

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

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

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

# Gower College Swansea

---

College Swansea for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

## *Capacity to handle risk*

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

## *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.

Gower College Swansea has an internal audit service, which operates in accordance with the requirements of the Welsh Government and the Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, Internal Audit provides the governing body with a report on internal audit activity in the College. The report includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

## *Review of effectiveness*

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

# Gower College Swansea

---

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

## Going concern

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

Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:



**Colin Cornelius**

**Chair of the Corporation**



**Mark Jones**

**Principal and Accounting Officer**

### **Governing Body's statement on the Corporation's regularity, propriety and compliance with Funding body terms and conditions of funding**

The Corporation has considered its responsibility to notify the Welsh Government of material irregularity, impropriety and non-compliance with Welsh Government terms and conditions of the funding, under the funding agreement in place between the College and the Welsh Government. As part of its consideration the Corporation has had due regard to the requirements of the funding agreement.

We confirm, on behalf of the Corporation that after due enquiry, that **to the best of our knowledge**, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Welsh Government's terms and conditions of funding under the College's funding agreement. 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 Welsh Government.

Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:



**Colin Cornelius**

**Chair of the Corporation**



**Mark Jones**

**Principal and Accounting Officer**

## Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum between the Welsh Government and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2015 to 2016* issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament 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 and any other conditions that may be prescribed from time to time. Members of the Corporation 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

## Gower College Swansea

---

properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Welsh Government are not put at risk.

Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Colin Cornelius', with a long, sweeping horizontal stroke extending to the right.

**Colin Cornelius**

**Chair of the Corporation**



# Gower College Swansea

---

## **Independent auditor's report to the Governing Body of Gower College Swansea**

We have audited the financial statements of Gower College Swansea for the year ended 31 July 2016 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, the Consolidated Balance Sheet, Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"

### **Respective responsibilities of governing body and auditor**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on pages 31 and 32, the Governing Body are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

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

In our opinion the financial statements:

- give a true and fair view of the state of the group and College's affairs as at 31 July 2016 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the Accounts Direction issued by the Welsh Government.

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

In our opinion, in all material respects:

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

Richard Bott (Senior Statutory Auditor)  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor

Mazars LLP  
90 Victoria Street  
Bristol  
BS1 6DP

Date: 21 December 2016

# Gower College Swansea

## Consolidated Statements of Comprehensive Income

	Notes	2016 Group	2016 College	2015 Group and College
		£'000	£'000	£'000
<b>INCOME</b>				
Funding body grants	2	28,178	28,017	29,751
Tuition fees and education contracts	3	4,384	2,878	2,348
Other grants and contracts	4	1,286	1,286	2,134
Other income	5	2,555	2,600	2,726
Investment income	6	69	69	58
Donations and Endowments	7	-	18	-
<b>Total income</b>		<b>36,472</b>	<b>34,868</b>	<b>37,017</b>
<b>EXPENDITURE</b>				
Staff costs	8	24,583	23,568	25,208
Fundamental restructuring costs	8	105	105	848
Other operating expenses	9	9,312	8,763	9,326
Depreciation and amortisation	12,13	1,825	1,753	1,671
Interest and other finance costs	10	532	527	446
<b>Total expenditure</b>		<b>36,357</b>	<b>34,716</b>	<b>37,499</b>
<b>Surplus/(deficit) before other gains and losses</b>		<b>115</b>	<b>152</b>	<b>(482)</b>
Loss on disposal of assets	12	(31)	(33)	(19)
<b>Surplus/(deficit) before tax</b>		<b>84</b>	<b>119</b>	<b>(501)</b>
Taxation	11	(8)	-	-
<b>Surplus/(deficit) for the year</b>		<b>76</b>	<b>119</b>	<b>(501)</b>
Actuarial loss in respect of pensions schemes	25	(8,670)	(8,670)	(2,920)
<b>Total Comprehensive Income for the year before minority interest</b>		<b>(8,594)</b>	<b>(8,551)</b>	<b>(3,421)</b>
Minority interest		(2)	-	-
<b>Total Comprehensive Income for the year</b>		<b>(8,596)</b>	<b>(8,551)</b>	<b>(3,421)</b>
<b>Restricted comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Unrestricted comprehensive income</b>		<b>(8,596)</b>	<b>(8,551)</b>	<b>(3,421)</b>
<b>Surplus/(deficit) for the year attributable to:</b>				
Non-controlling interest		2	-	-
Group		74	119	(501)
<b>Total Comprehensive Income for the year attributable to:</b>		<b>76</b>	<b>119</b>	<b>(501)</b>
Non-controlling interest		2	-	-
Group		(8,598)	(8,551)	(3,421)
		<b>(8,596)</b>	<b>(8,551)</b>	<b>(3,421)</b>

## Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total excluding Non- controlling interest	Non- controlling interest	Total
	£'000	£'000	£'000	£'000	£'000
<b>Group</b>					
<b>Restated Balance at 1<sup>st</sup> August 2014</b>	8,002	13,185	21,187	-	21,187
Surplus/(deficit) from the income and expenditure account	(501)	-	(501)	-	(501)
Other comprehensive income	(2,920)	-	(2,920)	-	(2,920)
Transfers between revaluation and income and expenditure reserves	236	(236)	-	-	-
<b>Movement in the year</b>	<b>(3,185)</b>	<b>(236)</b>	<b>(3,421)</b>	<b>-</b>	<b>(3,421)</b>
<b>Balance at 31<sup>st</sup> July 2015</b>	<b>4,817</b>	<b>12,949</b>	<b>17,766</b>	<b>-</b>	<b>17,766</b>
Surplus/(deficit) from the income and expenditure account	74	-	74	2	76
Other comprehensive income	(8,670)	-	(8,670)	-	(8,670)
Transfers between revaluation and income and expenditure reserves	237	(237)	-	-	-
<b>Total comprehensive income for the year</b>	<b>(8,359)</b>	<b>(237)</b>	<b>(8,596)</b>	<b>2</b>	<b>(8,594)</b>
Minority interest arising on acquisition	-	-	-	97	<b>97</b>
<b>Balance at 31 July 2016</b>	<b>(3,542)</b>	<b>12,712</b>	<b>9,170</b>	<b>99</b>	<b>9,629</b>
<b>College</b>					
<b>Restated Balance at 1<sup>st</sup> August 2014</b>	8,002	13,185	21,187	-	21,187
Surplus/(deficit) from the income and expenditure account	(501)	-	(501)	-	(501)
Other comprehensive income	(2,920)	-	(2,920)	-	(2,920)
Transfers between revaluation and income and expenditure reserves	236	(236)	-	-	-
<b>Movement in the year</b>	<b>(3,185)</b>	<b>(236)</b>	<b>(3,421)</b>	<b>-</b>	<b>(3,421)</b>
<b>Balance at 31<sup>st</sup> July 2015</b>	<b>4,817</b>	<b>12,949</b>	<b>17,766</b>	<b>-</b>	<b>17,766</b>
Surplus/(deficit) from the income and expenditure account	119	-	119	-	119
Other comprehensive income	(8,670)	-	(8,670)	-	(8,670)
Transfers between revaluation and income and expenditure reserves	237	(237)	-	-	-
<b>Total comprehensive income for the year</b>	<b>(8,314)</b>	<b>(237)</b>	<b>(8,551)</b>	<b>-</b>	<b>(8,551)</b>
<b>Balance at 31 July 2016</b>	<b>(3,497)</b>	<b>12,712</b>	<b>9,215</b>	<b>-</b>	<b>9,215</b>

# Gower College Swansea

## Balance sheets as at 31 July

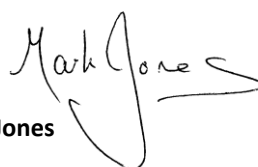
	Notes	Group 2016 £'000	College 2016 £'000	Group and College 2015 £'000
<b>Non current assets</b>				
Intangible fixed assets	13	400	169	114
Tangible fixed assets	12	35,782	35,762	35,869
Investments	14	-	670	-
Investment properties	14	145	145	144
		<b>36,327</b>	<b>36,746</b>	<b>36,127</b>
<b>Current assets</b>				
Stocks		10	10	12
Trade and other receivables	15	3,379	2,542	2,159
Investments	16	4,500	4,500	2,521
Cash and cash equivalents	20	4,573	4,572	7,523
		<b>12,462</b>	<b>11,624</b>	<b>12,215</b>
<b>Less: Creditors – amounts falling due within one year</b>	17	<b>(7,383)</b>	<b>(7,018)</b>	<b>(7,893)</b>
<b>Net current assets</b>		<b>5,079</b>	<b>4,606</b>	<b>4,322</b>
<b>Total assets less current liabilities</b>		<b>41,406</b>	<b>41,352</b>	<b>40,449</b>
Creditors – amounts falling due after more than one year	18	(6,096)	(6,096)	(6,308)
<b>Provisions</b>				
Defined benefit obligations	19	(24,540)	(24,540)	(14,840)
Other provisions	19	(1,501)	(1,501)	(1,535)
<b>Total net assets</b>		<b>9,269</b>	<b>9,215</b>	<b>17,766</b>
<b>Unrestricted Reserves</b>				
Income and expenditure account		(3,542)	(3,497)	4,817
Revaluation reserve		12,712	12,712	12,949
<b>Total unrestricted reserves attributable to the Group</b>		<b>9,170</b>	<b>9,215</b>	<b>17,766</b>
Minority interest		99	-	-
<b>Total unrestricted reserves</b>		<b>9,269</b>	<b>9,215</b>	<b>17,766</b>

The financial statements on pages 35 to 71 were approved and authorised for issue by the Corporation on 15 December 2016 and were signed on its behalf on that date by:



Colin Cornelius

Chair of the Governing Body



Mark Jones

Principal and Accounting Officer

## Consolidated Statement of Cash Flows

	Notes	2016 £'000	Restated 2015 £'000
<b>Cash flow from operating activities</b>			
Surplus/(Deficit) for the year		76	(501)
<b>Adjustment for non-cash items</b>			
Depreciation		1,825	1,671
Decrease/(increase) in stocks		2	(2)
(Increase)/decrease in debtors		(352)	(127)
(Decrease)/increase in creditors due within one year		(1,100)	1,282
Increase/(decrease) in creditors due after one year		(131)	(272)
(Decrease)/increase in provisions		(43)	-
Pensions costs less contributions payable		1,030	810
Revaluation of investment properties		(1)	-
Taxation		8	-
<b>Adjustment for investing or financing activities</b>			
Investment income		(69)	(58)
Interest payable		22	16
Taxation paid		(26)	-
Loss on sale of fixed assets		31	19
<b>Net cash flow from operating activities</b>		<u>1,272</u>	<u>2,838</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	6
Acquisition of subsidiary (net of overdraft)		(775)	-
Investment income		51	65
Withdrawal of deposits		-	1,479
New deposits		(1,979)	-
Payments made to acquire fixed assets		(1,587)	(2,011)
		<u>(4,290)</u>	<u>(461)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(11)	(9)
Interest element of finance lease rental payments		(2)	-
New unsecured loans		-	-
Repayments of amounts borrowed		(80)	(80)
Capital element of finance lease rental payments		(3)	-
		<u>(96)</u>	<u>(89)</u>
<b>(Decrease)/ increase in cash and cash equivalents in the year</b>		<u><b>(3,114)</b></u>	<u><b>2,288</b></u>
 Cash and cash equivalents at beginning of the year	20	7,523	5,235
<b>Cash and cash equivalents at end of the year</b>	20	<u><b>4,409</b></u>	<u><b>7,523</b></u>

## 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 and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* issued by Welsh Government and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College 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 College's accounting policies.

#### Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 28.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1<sup>st</sup> August 2014, the College has retained the carrying values of freehold buildings as being deemed cost and measured at fair value. Freehold land has been revalued resulting in an increase in book value of £5,748,000.
- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

## **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

## **Basis of consolidation**

The consolidated financial statements include the College and its subsidiary, Track Training Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. The student union was dormant during the year. All financial statements are made up to 31 July 2016.

## **Going concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College has healthy cash reserves of £8.9m at 31 July 2016. The College currently has £1.0m of loans outstanding with bankers on terms negotiated in 2006. The loan is unsecured and falls due for repayment by 2016. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

## **Recognition of income**

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 recurrent grant is adjusted for and reflected in the level of recurrent grant recognised in the statement of comprehensive income. 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 HEFCW represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Work Based Learning (WBL) funding is recognised when the income has been earned.

Grants (including research grants) from non-government sources are recognised in income when the College 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.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.



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.

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.

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

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

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 College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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 other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised 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 College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

### **Enhanced Pensions**

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

### **Non-current Assets - Tangible fixed assets**

Tangible fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to

fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

### *Land and buildings*

Freehold land is not depreciated.

Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the College of between 10 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 50 years.

Where buildings and equipment are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related 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. Grants relating to the acquisition of land are recognised as income in the year they are received.

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 College followed the transitional provision to retain the book value of land and buildings, which were valued on incorporation in 1993, but not to adopt a policy of revaluations of these properties in the future.

### *Assets under construction*

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

### *Equipment*

Equipment which has a useful life in excess of one year is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- motor vehicles 4 years
- computer equipment 4 years
- furniture, fixtures and fittings 5 - 10 years

## **Intangible assets and goodwill**

Goodwill arising on acquisition of subsidiary companies is amortised on a straight line basis over a period of 5 years from the date of acquisition.

Computer software and licences are capitalised as intangible fixed assets and amortised over the expected useful life of the software or licence of between 4 and 10 years. Annual software maintenance costs are charged to the Statement of Comprehensive Income in the year to which they relate.

## **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. Any lease premiums or incentives relating to leases signed after 1<sup>st</sup> August 2014

are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1<sup>st</sup> August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

### **Investments**

#### *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

#### *Other investments*

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

### **Investment Properties**

Inventories are stated at open market value at the balance sheet date.

### **Inventories**

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

### **Cash and cash equivalents**

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

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

### **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 Group 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 Group 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. Loans and investments that are payable or receivable within one year are not discounted.

### **Foreign currency translation**

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

### **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by 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 College is partially exempt in respect of Value Added Tax, so that it can only recover around 4% of the VAT charged on its inputs. 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.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

### **Provisions and contingent liabilities**

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

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

### **Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

## **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 College 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 group'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 26, will impact 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 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. 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.

2 Funding body grants	Year ended 31 July		Year ended 31 July
	2016	2016	2015
	Group	College	Group and College
	£'000	£'000	£'000
<b>Recurrent grants</b>			
Welsh Government recurrent grant	22,433	22,433	25,905
Higher Education Funding Council for Wales	54	54	49
<b>Specific grants</b>			
Work Based Learning	4,008	3,847	3,032
Releases of Welsh Government capital grants	283	283	288
Other Welsh Government grants	1,400	1,400	477
<b>Total</b>	<b>28,178</b>	<b>28,017</b>	<b>29,751</b>

3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July
	2016	2016	2015
	Group	College	Group and College
	£'000	£'000	£'000
Adult education fees	781	613	481
Apprenticeship fees and contracts	1,338	-	-
Fees for FE loan supported courses	623	623	559
Fees for HE loan supported courses	1,056	1,056	470
International students fees	311	311	185
Total tuition fees	4,109	2,603	1,695
Education contracts	275	275	653
<b>Total</b>	<b>4,384</b>	<b>2,878</b>	<b>2,348</b>

4 Other grants and contracts	Year ended 31 July		Year ended 31 July
	2016	2016	2015
	Group	College	Group and College
	£'000	£'000	£'000
Erasmus	64	64	153
UK-based charities	-	-	-
European Commission	910	910	1,322
Other grants and contracts	312	312	659
<b>Total</b>	<b>1,286</b>	<b>1,286</b>	<b>2,134</b>

5 Other income	Year ended 31 July		Year ended 31 July
	2016	2016	2015
	Group	College	Group and College
	£'000	£'000	£'000
Catering and residences	769	769	812
Other income generating activities	588	588	628
Other grant income	306	303	304
Non-government capital grants	41	41	41
Miscellaneous income	851	899	941
<b>Total</b>	<b>2,555</b>	<b>2,600</b>	<b>2,726</b>

6 Investment income	Year ended 31 July		Year ended 31 July
	2016	2016	2015
	Group	College	Group and College
	£'000	£'000	£'000
Other investment income	-	-	-
Other interest receivable	69	69	58
	<b>69</b>	<b>69</b>	<b>58</b>
Net return on pension scheme (note 25)	-	-	-
<b>Total</b>	<b>69</b>	<b>69</b>	<b>58</b>

7 Donations – College only	2016	2015
	£'000	£'000
Unrestricted donations	18	-
<b>Total</b>	<b>18</b>	<b>-</b>

## 8 Staff costs – Group and College

The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, was:

	2016 Group	2016 College	2015 Group and College
	No.	No.	No.
Teaching department staff	492	471	539
Non-teaching department staff	210	195	210
	<b>702</b>	<b>666</b>	<b>749</b>
<b>Staff costs for the above persons</b>			
	2016 Group	2016 College	2015 Group and College
	£'000	£'000	£'000
Wages and salaries	19,697	18,775	20,541
Social security costs	1,492	1,399	1,416
Other pension costs	3,394	3,394	3,251
<b>Staff costs</b>	<b>24,583</b>	<b>23,568</b>	<b>25,208</b>
Restructuring costs	105	105	848
<b>Total Staff costs</b>	<b>24,688</b>	<b>23,673</b>	<b>26,056</b>

## Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal, the Vice Principal Corporate Services and the Vice Principal Academic Services. Staff costs include compensation paid to key management personnel for loss of office.

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

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	<b>3</b>	<b>3</b>



The number of key management personnel and other higher paid staff who received annual emoluments (excluding pension contributions but including benefits in kind) in the Group and the College were in the following ranges:

Group	Key management personnel		Other staff	
	2016 No.	2015 No.	2016 No.	2015 No.
£50,001 to £60,000 p.a.	-	-	2	4
£60,001 to £70,000 p.a.	-	-	6	4
£70,001 to £80,000 p.a.	-	-	1	-
£80,001 to £90,000 p.a.	2	2	-	-
£130,001 to £140,000 p.a.	1	1	-	-
	<b>3</b>	<b>3</b>	<b>9</b>	<b>8</b>

The emoluments of key management personnel and other higher paid staff in the Group above was:

Group	Key management personnel		Other staff	
	2016 £000	2015 £000	2016 £000	2015 £000
Salaries	306	303	548	457
Benefits in kind	-	-	2	-
	<b>306</b>	<b>303</b>	<b>550</b>	<b>457</b>
Employer pension contributions	49	44	68	66
	<b>355</b>	<b>347</b>	<b>618</b>	<b>523</b>

The number of other staff above and their associated remuneration includes two of the directors of the subsidiary company (Track Training Limited) acquired during the year. These two directors are not in the comparatives for the year ended 31 July 2015.

College	Key management personnel		Other staff	
	2016 No.	2015 No.	2016 No.	2015 No.
£50,001 to £60,000 p.a.	-	-	2	4
£60,001 to £70,000 p.a.	-	-	5	4
£80,001 to £90,000 p.a.	2	2	-	-
£130,001 to £140,000 p.a.	1	1	-	-
	<b>3</b>	<b>3</b>	<b>7</b>	<b>8</b>

The emoluments of key management personnel and other higher paid staff in the College above was:

College	Key management personnel		Other staff	
	2016 £000	2015 £000	2016 £000	2015 £000
Salaries	306	303	426	457
Benefits in kind	-	-	-	-
	306	303	426	457
Employer pension contributions	49	44	68	66
	<b>355</b>	<b>347</b>	<b>494</b>	<b>523</b>

There were no amounts due to key management personnel or higher paid staff that were waived in the year, nor were there any payments made for compensation for loss of office.

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2016 £'000	2015 £'000
Salaries	139	138
Benefits in kind	-	-
	139	138
Pension contributions	23	19

The members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. The total payments for Governors expenses amounted to £988 (2015: £1,208) and related to 4 (2015: 4) Governors.

## 9 Other operating expenses

	2016 Group	2016 College	2015 Group and College
	£'000	£'000	£'000
Teaching department costs	4,599	4,291	4,498
Non-teaching department costs	2,757	2,568	2,626
Premises costs	1,956	1,904	2,323
<b>Total</b>	<b>9,312</b>	<b>8,763</b>	<b>9,447</b>

### Other operating expenses include:

	2016 Group	2016 College	2015 College
	£'000	£'000	£'000
Auditors' remuneration:			
Financial statements audit	23	19	19
Internal audit	12	12	12
Other services provided by the financial statements auditor			
- ESF grant audits	1	1	4
- Taxation advice	2	2	-
- Completion accounts work	3	3	-
Other services provided by the internal auditors	-	-	-
Losses on disposal of non-current assets	31	33	19
Hire of assets – buildings	71	44	-
Hire of assets - equipment	65	63	63

## 10 Interest and other finance costs – Group and College

	2016 Group	2016 College	2015 Group and College
	£'000	£'000	£'000
On bank loans, overdrafts and other loans:	11	8	9
	<u>11</u>	<u>8</u>	<u>9</u>
On finance leases	2	-	-
Interest payable on early retirements	9	9	7
Pension finance costs (note 25)	510	510	430
	<u>532</u>	<u>527</u>	<u>446</u>
<b>Total</b>	<b>532</b>	<b>527</b>	<b>446</b>

## 11 Taxation – Group only

	2016 £'000	2015 £'000
United Kingdom corporation tax	8	-
Provision for deferred corporation tax	-	-
	<u>8</u>	<u>-</u>
<b>Total</b>	<b>8</b>	<b>-</b>

12

## Tangible fixed assets (Group)

	Land and buildings		Equipment	Motor vehicles	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2015 (as restated)	46,700	500	8,262	472	55,934
Additions	410	-	1,255	-	1,665
Arising due to acquisitions	-	3	148	34	185
Disposals	(180)	-	(625)	(95)	(900)
<b>At 31 July 2016</b>	<b>46,930</b>	<b>503</b>	<b>9,040</b>	<b>411</b>	<b>56,884</b>
<b>Depreciation</b>					
At 1 August 2015 (as restated)	12,828	-	6,828	409	20,065
Charge for the year	977	-	751	22	1,750
Arising due to acquisitions	-	-	125	30	155
Elimination in respect of disposals	(148)	-	(625)	(95)	(868)
<b>At 31 July 2016</b>	<b>13,657</b>	<b>-</b>	<b>7,079</b>	<b>366</b>	<b>21,102</b>
<b>Net book value at 31 July 2016</b>	<b>33,273</b>	<b>503</b>	<b>1,961</b>	<b>45</b>	<b>35,782</b>
Net book value at 31 July 2015	33,872	500	1,434	63	35,869

## Tangible fixed assets (College only)

	Land and buildings		Equipment	Motor vehicles	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000		£'000
<b>Cost or valuation</b>					
At 1 August 2015 (as restated)	46,700	500	8,262	472	55,934
Additions	410	-	1,245	-	1,655
Disposals	(180)	-	(625)	(61)	(866)
<b>At 31 July 2016</b>	<b>46,930</b>	<b>500</b>	<b>8,882</b>	<b>411</b>	<b>56,723</b>
<b>Depreciation</b>					
At 1 August 2015 (as restated)	12,828	-	6,828	409	20,065
Charge for the year	977	-	735	18	1,730
Elimination in respect of disposals	(148)	-	(625)	(61)	(834)
<b>At 31 July 2016</b>	<b>13,657</b>	<b>-</b>	<b>6,938</b>	<b>366</b>	<b>20,961</b>
<b>Net book value at 31 July 2016</b>	<b>33,273</b>	<b>500</b>	<b>1,944</b>	<b>45</b>	<b>35,762</b>
Net book value at 31 July 2015	33,872	500	1,434	63	35,869

Buildings inherited from the Local Education Authority at 1 April 1993 were valued at depreciated replacement cost by Chartered Surveyors from West Glamorgan County Council, Estates Section, Property Services Department. Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis. Should these assets be sold, the College would either have to surrender the sale proceeds to the Welsh Government or use them in accordance with the Financial Memorandum with the Welsh Government.

Freehold land has been revalued at open market value at 1 August 2014 as part of the transitional arrangements under FRS102. The impact has been to increase the original costs and net book value of freehold land from £3,960,000 to the new valuation of £9,708,000.

## 13 Intangible assets

Group	Goodwill	Software and Licences	Total
	£'000	£'000	£'000
<b>Cost or valuation</b>			
At 1 August 2015 (as restated)	-	121	121
Additions	283	78	361
Disposals	-	-	-
<b>At 31 July 2016</b>	<b>283</b>	<b>199</b>	<b>482</b>
<b>Depreciation</b>			
At 1 August 2015 (as restated)	-	7	7
Charge for the year	52	23	75
Elimination in respect of disposals	-	-	-
<b>At 31 July 2016</b>	<b>52</b>	<b>30</b>	<b>82</b>
<b>Net book value at 31 July 2016</b>	<b>231</b>	<b>169</b>	<b>400</b>
Net book value at 31 July 2015 (restated)	-	114	114

College	Software and Licences	Total
	£'000	£'000
<b>Cost or valuation</b>		
At 1 August 2015 (as restated)	121	121
Additions	78	78
Disposals	-	-
<b>At 31 July 2016</b>	<b>199</b>	<b>199</b>
<b>Depreciation</b>		
At 1 August 2015 (as restated)	7	7
Charge for the year	23	23
Elimination in respect of disposals	-	-
<b>At 31 July 2016</b>	<b>30</b>	<b>30</b>
<b>Net book value at 31 July 2016</b>	<b>169</b>	<b>169</b>
Net book value at 31 July 2015 (restated)	114	114

## 14 Non-current investments

### a) Investments - College

	College 2016 £'000	College 2015 £'000
Investments in subsidiary companies	670	-

The College owns 80 per cent of the issued ordinary £1 shares of Track Training Limited, a company incorporated in England and Wales. The principal business activity of Track Training Limited is carrying out training of employees on behalf of employers.

### Associated companies

The College is a member of College University Skills Partnership, a company limited by guarantee. The principal activity of the company is to promote higher education opportunities between Swansea University and other member colleges.

The College Principal and College Enterprise are directors of Centre 4 Entrepreneurial Education CIC, a Community Interest Company limited by Guarantee.

### b) Investment Properties – Group and College

	2016 £'000	2015 £'000
Investment Properties	145	144

The College values investment properties at open market value at the balance sheet date. The valuation is performed by an independent surveyor.



<b>15 Debtors</b>	<b>Group</b>	<b>College</b>	<b>Group and College</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:			
Trade receivables	1,659	797	1,137
Amounts owed by group undertakings:			
Subsidiary undertakings	-	48	-
Associate undertakings	-	-	-
Prepayments and accrued income	180	157	53
Amounts owed by Welsh Government	1,540	1,540	969
<b>Total</b>	<b>3,379</b>	<b>2,542</b>	<b>2,159</b>

Amounts owed by Welsh Government relate primarily to Work Based Learning (WBL) payments and outstanding claims for European Structural Funds (ESF) from the Welsh European Funding Office (WEFO).

<b>16 Current investments</b>	<b>Group</b>	<b>College</b>	<b>Group and College</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Short term deposits	<b>4,500</b>	<b>4,500</b>	<b>2,521</b>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

The amounts represent three separate deposits comprising £2,000,000 maturing in December 2016, £1,500,000 maturing in January 2017 and £1,000,000 maturing in March 2017.

## 17 Creditors: amounts falling due within one year

	Group	College	Group and College
	2016	2016	2015
	£'000	£'000	£'000
Bank loans and overdrafts	245	81	80
Obligations under finance leases	-	-	-
Capital creditors	158	158	2
Trade payables	771	716	811
Amounts owed to group undertakings:			
Subsidiary undertakings	-	98	-
Associate undertakings	-	-	-
Corporation tax	17	-	-
Other taxation and social security	559	443	431
Holiday pay accrual	736	719	608
Accruals and deferred income	4,404	4,310	4,552
Deferred income - government capital grants	273	273	305
Deferred income - government revenue grants	220	220	1,104
<b>Total</b>	<b>7,383</b>	<b>7,018</b>	<b>7,893</b>

## 18 Creditors: amounts falling due after one year

	Group	College	Group and College
	2016	2016	2015
	£'000	£'000	£'000
Bank loans	880	880	961
Obligations under finance leases	-	-	-
Deferred income - government capital grants	5,216	5,216	5,347
<b>Total</b>	<b>6,096</b>	<b>6,096</b>	<b>6,308</b>

## Maturity of debt

### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	<b>Group</b>	<b>College</b>	<b>College</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	245	81	80
Between one and two years	81	81	81
Between two and five years	250	250	247
In five years or more	549	549	633
<b>Total</b>	<b>1,125</b>	<b>961</b>	<b>1,041</b>

The bank loan, which is unsecured and incurs interest at 0.35% above base rate, is held with Lloyds Bank and is due to be repaid by 2026 by monthly instalments.

### (b) Finance leases

The net finance lease obligations to which the institution is committed are:

	<b>Group</b>	<b>College</b>	<b>College</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	-	-	-
Between two and five years	-	-	-
In five years or more	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

Finance lease obligations are secured on the assets to which they relate.

## 19 Provisions

	Group and College				
	Enhanced pensions	Other	Sub-total	Defined benefit obligations	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2015	1,145	390	1,535	14,840	16,375
Expenditure in the period	(82)	-	(82)	(1,190)	(1,272)
Additions in period	42	6	48	10,890	10,938
<b>At 31 July 2016</b>	<b>1,105</b>	<b>396</b>	<b>1,501</b>	<b>24,540</b>	<b>26,041</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 25.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2016	2015
Price inflation	1.3%	1.7%
Discount rate	2.3%	3.5%

## 20 Cash and cash equivalents - Group

	At 1 August 2015	Cash flows	On acquisition	At 31 July 2016
	£'000	£'000	£'000	£'000
Cash and cash equivalents	7,523	(2,950)	-	4,573
Overdrafts	-	(59)	(105)	(164)
<b>Total</b>	<b>7,523</b>	<b>(3,009)</b>	<b>(105)</b>	<b>4,409</b>

## 21 Capital and other commitments

	Group and College	
	2016	2015
	£'000	£'000
Commitments contracted for at 31 July	513	329

## 22 Lease

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

Future minimum lease payments due	Group	College	Group and College 2015
	2016	2016	2015
	£'000	£'000	£'000
<b>Land and buildings</b>			
Not later than one year	149	120	-
Later than one year and not later than five years	179	150	-
Later than five years	-	-	-
	<u>328</u>	<u>270</u>	<u>-</u>
<b>Other</b>			
Not later than one year	66	63	61
Later than one year and not later than five years	4	1	61
Later than five years	-	-	-
	<u>70</u>	<u>64</u>	<u>122</u>

## 23 Contingent liabilities

The College does not have any contingent liabilities.

## 24 Events after the reporting period

On 28 October 2016 the College suffered a significant fire at its Tychoch campus. The fire caused damage principally to the library and a number of nearby classrooms. The College is continuing to assess the impact of the fire and expects the costs of returning the buildings and associated services to their original state will be met by the College insurers. Accordingly no adjustments are considered necessary to the carrying value of assets at the balance sheet date.

## 25 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the City and County of Swansea Pension Fund (Local Government Pension Scheme (LGPS)) for non-teaching staff, which is managed by the Local Authority of the City and County of Swansea. Both are multi-employer defined-benefit plans.

<b>Total pension cost for the year</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Teachers' Pension Scheme: contributions paid	1,642	1,534
Local Government Pension Scheme:		
Contributions paid	1,190	1,260
FRS 102 (28) charge	520	380
Charge to the Statement of Comprehensive Income	1,710	1,640
Enhanced pension charge to Statement of Comprehensive Income	42	77
<b>Total Pension Cost for Year within staff costs</b>	<b>3,394</b>	<b>3,251</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013. Contributions amounting to £363,000 (2015: £355,000) were payable to the schemes at 31<sup>st</sup> July and are included within creditors.

### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

### The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. 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.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

## Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

## Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,642,000 (2015: £1,534,000)

## FRS 102 (28)

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

Accordingly, the College 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 College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

## Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the Local Authority of City and County of Swansea. The total contributions made for the year ended 31 July 2016 were £1,610,000 (2015: £1,700,000) of which employer's contributions totalled £1,190,000 (2015: £1,260,000) and employees' contributions totalled £410,000 (2015: £440,000).

In addition, the College pays a cash lump sum in relation to the past service deficit which has been:

1 April 2014 to 31 March 2015 - £164,400

1 April 2015 to 31 March 2016 - £170,800

1 April 2016 to 31 March 2017 - £177,500

The agreed contribution rates to 31 March 2017 are 15.4% for employers and range from 5.5% to 12.5% for employees, depending on salary. The actuary is in the process of determining rates from 1 April 2017 onwards.

## Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

	At 31 July 2016	At 31 July 2015	At 31 July 2014
Rate of increase in salaries	3.3%	3.6%	3.7%
Future pensions increases	1.8%	2.1%	2.2%
Discount rate for scheme liabilities	2.4%	3.6%	4.1%
Inflation assumption (CPI)	1.8%	2.1%	2.2%
Commutation of pensions to lump sums	80%	80%	80%

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 2016 years	At 31 July 2015 years
<i>Retiring today</i>		
Males	22.7	22.6
Females	25.2	25.1
<i>Retiring in 20 years</i>		
Males	24.9	24.8
Females	27.5	27.4



	Fair Value at 31 July 2016 £'000	Fair Value at 31 July 2015 £'000
Equity instruments	27,572	24,439
Government bonds	4,694	4,233
Property	1,996	1,620
Cash	1,183	992
Corporate bonds	370	331
Other	1,145	1,455
<b>Total fair value of plan assets</b>	<b>36,960</b>	<b>33,070</b>
<b>Actual return on plan assets</b>	<b>2,880</b>	<b>1,950</b>

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

	2016 £'000	2015 £'000
Fair value of plan assets	36,960	33,070
Present value of plan liabilities	(61,500)	(47,910)
<b>Net pensions (liability)/asset (Note 19)</b>	<b>(24,540)</b>	<b>(14,840)</b>

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

	2016 £'000	2015 £'000
<b>Amounts included in staff costs</b>		
Current service cost	1,710	1,640
Past service cost	-	-
<b>Total</b>	<b>1,710</b>	<b>1,640</b>
<b>Amounts included in interest and other finance costs</b>		
Net interest cost	510	430
	<b>510</b>	<b>430</b>

**Amount recognised in Other Comprehensive Income**

Return on pension plan assets	1,670	700
Experience losses arising on defined benefit obligations	(10,340)	(3,620)
<b>Amount recognised in Other Comprehensive Income</b>	<b>(8,670)</b>	<b>(2,920)</b>

## Movement in net defined benefit (liability)/asset during year

	2016 £'000	2015 £'000
Net defined benefit (liability)/asset in scheme at 1 August	(14,840)	(11,110)
Movement in year:		
Current service cost	(1,710)	(1,640)
Employer contributions	1,190	1,260
Past service cost	-	-
Net interest on the defined (liability)/asset	(510)	(430)
Actuarial gain or loss	(8,670)	(2,920)
<b>Net defined benefit (liability)/asset at 31 July</b>	<b>(24,540)</b>	<b>(14,840)</b>

## Asset and Liability Reconciliation

	2016 £'000	2015 £'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	47,910	41,120
Current service cost	1,710	1,640
Interest cost	1,720	1,680
Contributions by Scheme participants	410	440
Experience gains and losses on defined benefit obligations	10,340	3,620
Estimated benefits paid	(590)	(590)
Past Service cost	-	-
Curtailments and settlements	-	-
<b>Defined benefit obligations at end of period</b>	<b>61,500</b>	<b>47,910</b>

## Changes in fair value of plan assets

<b>Fair value of plan assets at start of period</b>	33,070	30,010
Interest on plan assets	1,210	1,250
Return on plan assets	1,670	700
Employer contributions	1,190	1,260
Contributions by Scheme participants	410	440
Estimated benefits paid	(590)	(590)
<b>Fair value of plan assets at end of period</b>	<b>36,960</b>	<b>33,070</b>

Track Training Limited did not operate a pension scheme during the year. In accordance with pension regulations and the statutory auto-enrolment date of the company, a NEST pension scheme was established for staff in November 2016.

## 26 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £988; 4 governors (2015: £1,208; 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and other events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015: None).

Related party transactions are as follows:

	<b>Income</b>	<b>Expenditure</b>	<b>Income</b>	<b>Expenditure</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
City & County of Swansea	260	1,142	322	586
Meirion Howells Project Management	-	21	-	-
British Gas	-	13	-	-
Day 8 Limited	1	-	-	-

Councillor Jennifer Raynor is the Cabinet Member for Education of City & County of Swansea and Councillor Christine Richards is the Deputy Leader of the Council. Income and expenditure in the year relate to the supply of educational services.

Meirion Howells is the former owner and director of Meirion Howells Project Management and still undertakes occasional consultancy work for the business. Expenditure in the year relates to the supply of project management services.

Andrew Donald is a Client Director for British Gas Business. Expenditure in the year relates to the supply of electricity.

Mike Day is a director and shareholder of Day 8 Ltd. Income in the year relates to enterprise activities.

## 27 Amounts disbursed as agent

### Financial Contingency Funds

	2016	2015
	£'000	£'000
Funding body grants – unspent amounts from prior year	29	9
Funding body grants – discretionary learner support	546	546
	<hr/> 575	<hr/> 555
Disbursed to students	( 537)	( 510)
Administration costs	(16)	( 16)
	<hr/> 22	<hr/> 29
Balance unspent as at 31 July, included in creditors		

Funding body grants are available solely for students. The discretionary learner support grant relates to the Financial Contingency Fund where the College only acts as a paying agent on behalf of Welsh Government. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

## 28 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31<sup>st</sup> July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31<sup>st</sup> July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1<sup>st</sup> August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	Note	1 <sup>st</sup> August 2014		31st July 2015	
		Group £'000	College £'000	Group £'000	College £'000
<b>Financial Position</b>					
<b>Total reserves under previous SORP</b>		15,855	15,855	12,265	12,265
Employee leave accrual	(a)	(662)	(662)	(608)	(608)
Release of non-government capital grants	(b)	150	150	150	150
Capitalisation of software and licences	(c)	-	-	114	114
Revaluation of investment properties	(d)	96	96	97	97
Revaluation of freehold land	(g)	5,748	5,748	5,748	5,748
<b>Total effect of transition to FRS 102 and 2015</b>		<b>5,332</b>	<b>5,332</b>	<b>5,501</b>	<b>5,501</b>
<b>Total reserves under 2015 FE HE SORP</b>		<b>21,187</b>	<b>21,187</b>	<b>17,766</b>	<b>17,766</b>
<b>Financial performance</b>					
		Year ended 31 <sup>st</sup> July 2015			
		Group £'000	College £'000		
<b>Surplus for the year after tax under previous</b>		130	130		
Movement of employee leave accrual	(a)	54	54		
Capitalisation of software and licences	(c)	114	114		
Reversal of depreciation on investment	(d)	1	1		
Pensions provision – actuarial loss	(f)	(2,920)	(2,920)		
Changes to measurement of net finance cost on defined benefit plans	(e)	(800)	(800)		
<b>Total effect of transition to FRS 102 and 2015 FE HE SORP</b>		<b>(3,551)</b>	<b>(3,551)</b>		
<b>Total comprehensive income for the year under 2015 FE HE SORP</b>		<b>(3,421)</b>	<b>(3,421)</b>		

## **a) Recognition of short term employment benefits**

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31<sup>st</sup> August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 12 unused days of leave for teaching staff and 5 unused days of leave for non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £662,000 was recognised at 1 August 2014, and £608,000 at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £111,000 has been charged to Comprehensive Income in the year ended 31 July 2016.

## **b) Non-government grants accounted for under performance model**

The College has previously been in receipt of certain capital grants for the acquisition of freehold land. Under the previous UK GAAP and 2007 SORP, this grant was held within deferred capital grants. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. No adjustment has been required to be made to the statement of comprehensive income as the grant had not yet been amortised.

## **c) Capitalisation of software and licences**

The College had previously charged the acquisition of new software to the income and expenditure account in the year of acquisition. Under FRS102, the costs of the software have been capitalised as an intangible fixed asset. The software and licences, all of which were acquired in the year ended 31 July 2015 had an original cost of £121,000 and an amortisation charge of £7,000 in the year ended 31 July 2015. Software with a further cost of £78,000 was capitalised in the year ended 31 July 2016. The total amortisation charge of software and licences during the year ended 31 July 2016 amounted to £23,000.

## **d) Classification of tangible fixed assets as investment properties**

The College has reviewed its land and buildings and reclassified one property as an investment property under FRS102. The property was previously held within fixed assets with a net book value of £49,000 at 1 August 2014 (£48,000 at 31 July 2015). The property has been valued at open market value by an independent firm of surveyors.

## **e) Change in recognition of defined benefit plan finance costs**

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31<sup>st</sup> July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

## **f) Presentation of actuarial gains and losses within Total Comprehensive Income**

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

## **g) Revaluation of freehold land**

The College has revalued freehold land as a one-off adjustment to deemed cost under the transitional arrangements of FRS102 which has resulted in an increase in value of £5,748,000 at 1 August 2014.

## 29 Acquisitions

On 10 September 2015, the College purchased 80% of the issued ordinary share capital of Track Training.

The fair values of the identifiable net assets acquired and the goodwill arising from the transaction are as follows:

	Net book value	Fair value adjustments	Fair value
	£'000	£'000	£'000
Fixed assets	30	-	30
Current assets	850	-	850
Bank overdraft	(105)	-	(105)
Other creditors	(291)	-	(291)
<b>Identifiable net assets</b>	<b>484</b>	<b>-</b>	<b>484</b>
			<b>£000</b>
Fair value acquired – 80%			387
Consideration			(666)
Stamp duty			(4)
<b>Goodwill arising</b>			<b>283</b>
			<b>£000</b>
Consideration satisfied by			628
Consideration – paid			38
Consideration - deferred			<b>666</b>
<b>Total consideration</b>			

No adjustments resulted from aligning accounting policies.

The results of the acquired entity since acquisition (included in the consolidated group accounts) are as follows:

	Underlying results £'000	Group recharges £'000	Overall results £'000
<b>Turnover</b>	1,807	-	1,807
Cost of sales	(185)	-	(185)
Gross profit	1,622	-	1,622
Administration expenses	(1,534)	(66)	(1,600)
Profit before interest and tax	88	(66)	22
Interest payable	(5)	-	(5)
Profit before tax	83	(66)	17
Taxation	(8)	-	(8)
<b>Profit for the period</b>	<b>75</b>	<b>(66)</b>	<b>9</b>