



Gower College Swansea
Coleg Gŵyr Abertawe

Gower College Swansea

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

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 2016/17:

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 24-25 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

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Report of the Governing Body

The members present their report and the audited financial statements for the year ended 31 July 2017.

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

The College's mission statement, adopted in May 2016, is 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 individual learners in 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 24 - 25.

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

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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 undergoing refurbishment (Kingsway Employability Hub). 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.

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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.

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 685 people (expressed as full time equivalents (FTEs)), of whom 483 are in teaching departments. A further 40 FTE staff are employed at Track Training Limited.

Reputation

The College has an excellent reputation locally and nationally for the range of provision that it offers and for the quality of the teaching and learning provided. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

Student numbers

In 2016/17 the College has delivered activity that has produced £22.9 million in funding body main allocation funding (2015/16 – £22.4 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, with successful completion rates of 86%.

Curriculum developments

In December 2016 the senior management team undertook a review of a range of available labour market intelligence documents to identify the key areas of influence on curriculum and identify priority areas for curriculum developments over the next few years. Also taking into account UK and Welsh government priorities, along with key developments in the region, the following priority areas were identified:

- Construction
- ICT / Digital / Technologies including digital literacy
- Energy sector
- Finance and Professional Services
- Life Sciences

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The College has a strong reputation for curriculum innovation and change. Over the years 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. For 2017/18, the College has introduced several new full time courses in construction and is working with Morrision Comprehensive School delivering three A level subjects and one vocational course as part of an enhanced school offer. In addition the College has strengthened its approach to the development of learners' literacy, numeracy, digital literacy and employability skills through a new 'Skills 4 Progression' initiative introduced across all full time programmes.

The College continues to expand 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' and 'Junior College' programmes for 14-16 year olds. The programmes provide a range of activities with the aim of engaging and inspiring 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 Russell 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 which has expanded this year to include Glyndwr University and the University of Gloucestershire resulting in an increase in the number of Higher Education courses, for example in Housing and Facilities Management. 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. During the year the College has successfully achieved Quality Assurance Agency approval for its Higher Education provision.

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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:

	2011/12	2014/15	2015/16	2016/17
	Estyn Judgement	College Judgement	College Judgement	College Judgement
Key Question 1 – How good are outcomes?				
1.1 Standards	Good	Good	Good	Good
1.2 Wellbeing	Good	Good	Good	Good
Key Question 2 – How good is provision?	Good	Good	Good	Good
Key Question 3 – How good are leadership and management?	Good	Good	Good	Good
Overall Rating	Good	Good	Good	Good

During 2016/17 The College has been working on a 'Review and Improve' initiative designed to move some of the areas previously judged as 'good' to 'excellent'.

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The focus that the College has placed over the past few years on improving its success rate has had a positive impact showing a significant upward trend from 73% in 2010/11 to 86% in 15/16, that improved position being maintained for the past three years but falling short of the 88% target set in the 2016/17 annual operational plan.

	College	Sector Average
2010/11	73%	80%
2011/12	75%	82%
2012/13	83%	84%
2013/14	86%	85%
2014/15	86%	86%
2015/16	86%	86%

This improvement 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.

The Colleges 2016-2020 Strategic Plan sets a target for the overall FE success rates to be in the top quartile of all colleges in Wales. The 2017/18 Annual Operational Plan works towards this with a one year target of maintaining academic main qualifications in the top quartile and moving vocational main qualifications to the second quartile.

Results

The provisional results of full-time students at Gower College Swansea for 2016/17 can be summarised as follows:

A Levels	Enrolments	Retention	Attainment	Successful Completion
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%
2016/17	1,591	97%	96%	93%

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AS Levels	Enrolments	Retention	Attainment	Successful Completion
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%
2016/17	2,680	93%	86%	80%

Vocational Level 3	Enrolments	Retention	Attainment	Successful Completion
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%
2016/17	1,579	88%	88%	77%

Work Based Learning (WBL)

The College provides a range of Apprenticeship training opportunities through its Work Based Learning contract.

Gower College Swansea is a lead contractor for the PS4 contract under WBL with an annual value for 2016/17 of approximately £4 million. This has increased to approximately £7 million for 2017/18.

The framework success performance over the past three years can be summarised as:

Programme	Measure	Achievement	Achievement	Achievement	National comparator
		Actual 2014/15	Actual 2015/16	Projected 2016/17	
Apprenticeships	Framework success	86%	78%	82%	86%

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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.

The inspection results were:

	2015/16 Estyn Judgement	2016/17 College Judgement
Key Question 1 - How good are outcomes?		
1.1 Standards	Adequate	Adequate
1.2 Well Being	Good	Good
Key Question 2 - How good is provision?	Adequate	Good
Key Question 3 - How good are leadership and management?	Adequate	Good
Overall Rating	Adequate	Good
Prospects for Improvement	Adequate	Good

The inspection was undertaken at a difficult time during 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 been working on a comprehensive action plan to address the issues raised during the inspection as well as those resulting from the new arrangements. Much work has gone into creating and building new staff teams following TUPE, with considerable staff development undertaken to standardise practices and ensure high quality provision for learners as well as working to ensure that all the activity under the new contract can benefit from sharing of the good practice that does exist. The College has reflected the work that has been undertaken since the inspection in its judgement of the current position.

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Estyn have undertaken a follow up monitoring visit in October 2017 where they recognised that satisfactory progress had been made against five of their inspection recommendations, but more limited progress against the remaining three. Estyn were positive about the work that had been done to date to address the issues raised during the original inspection but felt that not enough time had passed to demonstrate the impact of all actions.

The College is working on an amended action plan with a focus on demonstrating impact and is confident that the WBL activity will continue to strengthen and that positive impact can be demonstrated during the coming year.

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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:

	2015/16 £000	2016/17 £000
"Adjusted EBITDA"	2,704	2,693
Depreciation and amortisation (net of grants)	(1,501)	(1,655)
Impact of insurance relating to the fire	-	229
Exceptional staff costs	(105)	(231)
Net interest receivable	47	33
Loss on disposal of fixed assets	(31)	(3)
Taxation	(8)	(2)
Minority interest	(2)	-
Surplus before pension adjustments	1,104	1,064
Actuarial pension adjustments	(9,700)	5,700
Surplus/(Deficit) for the year	(8,596)	6,764

Financial results

The Group generated a consolidated surplus (before actuarial pension scheme charges) of £1,064,000 (2015/16 – £1,104,000), with total comprehensive income of £6,764,000, (2015/16 - (£8,596,000)).

For 2016/17, funding for the College was increased by 2% resulting in a cash increase of £454,000 in relation to the recurrent grant and the funding for the delivery of work place skills to employed workers. The College welcomes the commitment by WG to the FE sector through the additional funding and at the same time 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 (full year impact realised in 2016/17)

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- 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 (full year impact realised in 2016/17).
- Funded an increase in employer pension contributions to the Local Government Pension Scheme (LGPS) of approximately 20% from April 2017. The full year impact of £250,000 of this increase will be realised in the 2017/18 financial year.

Against this back-drop, the generation of a surplus before non-cash pension costs 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 £16,033,000 and cash and short term investment balances of £9,059,000. 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 £4,558,000. This was split between improvement to land and buildings of £2,633,000 and equipment purchased of £1,918,000. This investment was part financed through Welsh Government grants of £1,781,000.

The College also welcomed the allocation of an estates maintenance grant in the year. The additional £347,000 was fully spent during the year improving the College facilities for staff and students.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17, Welsh Government provided 54% (2015/16: 62%) 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 is 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 £74,000.

The acquisition of Track has complemented the College's own employer engagement activities and generates 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.

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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 £4.2 million (2015/16 £1.3 million), net cash flow from operating activities was reasonably strong.

The College has not required any additional significant 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. During the year the College utilised a Salix loan (£86,000) to fund energy efficient improvements. The Salix loan is interest free and backed by the Welsh Government.

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 33 days (2015/16: 34 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 year the College completed construction of a roadway linking the two sites.

The relocation of these support functions has allowed the College to commence redevelopment of the front of the Tycoch Campus. This exciting development commenced in February 2017 and is due for completion by January 2018. The £4

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million refurbishment will create better and additional facilities for our students and is part funded by capital grants from Welsh Government.

The College also has plans to develop student facilities in the Gorseinon Campus and is in the process of obtaining funding to develop its city centre site in to an Employability Hub. The College will work with other local partners, including the City and County of Swansea, to provide services to address NEET challenges in the City and surrounding areas.

The College has submitted a number of bids to the 21st Century Schools programme for additional funding to develop further excellent facilities for students across all campuses.

HR Matters - Harmonisation of Staff Contracts

Work on harmonising contracts of employment has been a significant challenge for the FE sector in Wales over the past few years. The National Common Contract of Employment (agreed following negotiations between the Welsh FE Colleges and the Joint Trade Unions) was offered to all staff, 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 moved across to the National Common Contract on 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

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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 2016/17, 54% (2015/16: 62%) 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 for 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.

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. This includes a focus on commercial activity, higher education and building on the growing reputation of the College internationally as centre for overseas students studying A level programmes.

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.

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

In April 2017, the employer's contribution rate to the LGPS increased annualised costs by other 20% (£250,000 per annum).

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 has invested further during the year in working towards ISO:27001 (Information Assurance Standard) accreditation. This will continue to be supplemented by firewalls, filtering, anti-virus software and regular briefings to staff. The College is also working towards achieving certification in Cyber Essentials Plus.

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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. Improved assets performance in the year combined with an increase in AAA bond rates (and hence a higher discount rate leading to lower future liabilities) has resulted in a decrease in the LGPS pension deficit to £18.8 million (2016: £24.5 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 3 (prior year: 5). 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 produces an annual report on sustainable activities each year.

Energy

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

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The College has commenced a replacement programme old boilers utilising Salix funding for energy efficient programmes, 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.

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.

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.

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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.

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.

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Further, the College is the lead in the Swansea 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 College, Coleg Sir Gar, Coleg Ceredigion, NPTC Group, University of Wales Trinity St David and Adult Learning Wales.

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 14 December 2017 and signed on its behalf by:

A handwritten signature in cursive script, reading "Colin Cornelius", is enclosed within a rectangular box. A diagonal line is drawn across the bottom right corner of the box.

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 1st August 2016 to 31st July 2017 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 2017. 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	6/6	Chairman : Corporation, S&G (Chair), Rem (Chair), F&GP, HR
Mrs C Patel	2010/2014	4 years	4/6	Vice Chair : Corporation Board (from May 2016) HR (Chair), F&GP, Rem, S&G
Mrs C Green	2012/2016	4 years	4/6	Audit (Vice-Chair), HR, LS
Dr D Ashelby	2010/2014	4 years	6/6	C&Q (Chair), F&GP, S&G
Mr J Britton	2010/2014	1 year	5/6	F&GP (Vice Chair), C&Q
Mr T Clark (Staff)	2014	4 years	3/6	Audit, S&G
Mr A M Day	2012/2016	4 years	2/6	C&Q, HR (Vice-Chair)
Mr A Donald	2010/2014	4 years	2/6	F&GP (Chair), HR, Rem
Mr R George(Student)	2016 (June)	1 year	4/6	C&Q, LS
Mr M Howells	2016	4 Years	4/6	F&GP, LS
Miss Chloe Harries*	2017	1 year	n/a	C&Q LS
Mr M Jones (Principal and Chief Executive)	2013	Whilst Principal	6/6	C&Q, LS, F&GP
Mr Ceri Low (Staff)	2014	4 years	3/6	Audit LS (Vice Chair)
Ms F Rees	2010/2017	3 years	6/6	LS (Chair), S&G (Vice Chair), Audit
Mr K Rees	2016	4 years	2/6	Audit, S&G
Cllr J Raynor	2014	3 year	0/6	
Cllr C Richards	2014	3 year	1/6	
Judge R Singh	2010/2014	4 years	5/6	Audit (Chair)
Mr G Williams	2010/2017	3 years	5/6	C&Q (Vice Chair)
Mrs S Williams	2016 (June)	4 years	4/6	HR, LS
Mr S Williams(Student)	2016 (June)	1 year	2/6	C&Q, LS

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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 2017 to serve the 2017/18 academic year onwards		

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.

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

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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 2016/17.

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 2016/17.

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 3 occasions during 2016/17.

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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 2016/17.

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 2016/17.

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 4 members. The Committee met on 13 October 2016. Details of remuneration for the year ended 31 July 2017 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 5 occasions during 2016/17.

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.

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

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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 College Swansea for the year ended 31 July 2017 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 2017 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.

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

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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 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

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 14 December 2017 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.

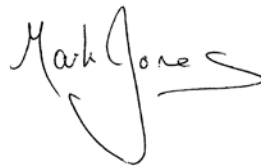
We confirm, on behalf of the Corporation that after due enquiry, that **to the best of our knowledge**, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Welsh Government's terms and conditions of funding 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 14 December 2017 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 2016 to 2017* issued by Welsh Government, 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 properly. In addition, members of the Corporation are responsible for securing

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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 14 December 2017 and signed on its behalf by:

A handwritten signature in black ink, reading "Colin Cornelius", is enclosed within a thin black rectangular border. The signature is written in a cursive style.

Colin Cornelius

Chair of the Corporation

Independent auditor's report to the Governing body of the Gower College Swansea

Opinion

We have audited the financial statements of Gower College Swansea ("the College") for the year ended 31 July 2017 which comprise the Consolidated Statements of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, the Balance Sheets, the Consolidated Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of the College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Governing body are responsible for the other information. The other information comprises the information included in the Report of the members of the Governing body other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Further Education Audit Code of Practice issued by the Welsh Government requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Governing body, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit;

Responsibilities of Governing body

As explained more fully in the Statement of Responsibilities of the Member of the Governing body set out on page 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 and for such internal control as the Governing body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. This report is made solely to the Governing body as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the Governing body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Governing body, as a body, for our audit work, for this report, or for the opinions we have formed.

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

Other Required Reporting

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.

Mazars LLP

Chartered Accountants and Statutory Auditor

90 Victoria Street, Bristol, BS1 6DP

Date: 21 December 2017

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Consolidated Statements of Comprehensive Income

	Notes	2017	2017	2016	2016
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	29,150	28,827	28,178	28,017
Tuition fees and education contracts	3	4,103	2,794	4,384	2,878
Other grants and contracts	4	2,482	2,482	1,286	1,286
Other income	5	6,284	6,371	2,555	2,600
Investment income	6	54	54	69	69
Donations and Endowments	7	-	-	-	18
Total income		42,073	40,528	36,472	34,868
EXPENDITURE					
Staff costs	8	26,809	25,523	24,583	23,568
Fundamental restructuring costs	8	231	231	105	105
Other operating expenses	9	12,526	12,288	9,312	8,763
Depreciation and amortisation	12,13	2,086	2,017	1,825	1,753
Interest and other finance costs	10	591	582	532	527
Total expenditure		42,243	40,641	36,357	34,716
(Deficit)/surplus before other gains and losses		(170)	(113)	115	152
Loss on disposal of assets	12	(494)	(491)	(31)	(33)
(Deficit)/surplus before tax		(664)	(604)	84	119
Taxation	11	(2)	-	(8)	-
(Deficit)/surplus for the year		(666)	(604)	76	119
Actuarial gain/(loss) in respect of pensions schemes	26	7,430	7,430	(8,670)	(8,670)
Total Comprehensive Income for the year before minority interest		6,764	6,826	(8,594)	(8,551)
Minority interest		-	-	(2)	-
Total Comprehensive Income for the year		6,764	6,826	(8,596)	(8,551)
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive income		6,764	6,826	(8,596)	(8,551)
(Deficit)/Surplus for the year attributable to:					
Non-controlling interest		-	-	2	-
Group		(666)	(604)	74	119
		(666)	(604)	76	119
Total Comprehensive Income for the year attributable to:					
Non-controlling interest		-	-	2	-
Group		6,764	6,826	(8,598)	(8,551)
		6,764	6,826	(8,596)	(8,551)

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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
Group					
Balance at 1st August 2015	4,817	12,949	17,766	-	17,766
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)	-	-	-
Minority interest arising on acquisition	-	-	-	97	97
Movement in the year	(8,359)	(237)	(8,596)	99	(8,497)
Balance at 31st July 2016	(3,542)	12,712	9,170	99	9,269
(Deficit)/Surplus from the income and expenditure account	(666)	-	(666)	-	(666)
Other comprehensive income	7,430	-	7,430	-	7,430
Transfers between revaluation and income and expenditure reserves	237	(237)	-	-	-
Total comprehensive income for the year	7,001	(237)	6,764	-	6,764
Balance at 31 July 2017	3,459	12,475	15,934	99	16,033
College					
Balance at 1st August 2015	4,817	12,949	17,766	-	17,766
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)	-	-	-
Movement in the year	(8,314)	(237)	(8,551)	-	(8,551)
Balance at 31st July 2016	(3,497)	12,712	9,215	-	9,215
(Deficit)/Surplus from the income and expenditure account	(604)	-	(604)	-	(604)
Other comprehensive income	7,430	-	7,430	-	7,430
Transfers between revaluation and income and expenditure reserves	237	(237)	-	-	-
Total comprehensive income for the year	7,063	(237)	6,826	-	6,826
Balance at 31 July 2017	3,566	12,475	16,041	-	16,041

Gower College Swansea

Balance sheets as at 31 July

	Notes	Group	College	Group	College
		2017	2017	2016	2016
		£'000	£'000	£'000	£'000
Non current assets					
Intangible fixed assets	13	370	196	400	169
Tangible fixed assets	12	37,868	37,837	35,782	35,762
Investments	14	-	670	-	670
Investment properties	14	145	145	145	145
		38,383	38,848	36,327	36,746
Current assets					
Stocks		13	13	10	10
Trade and other receivables	15	3,945	3,156	3,379	2,542
Investments	16	3,500	3,500	4,500	4,500
Cash and cash equivalents	21	5,754	5,753	4,573	4,572
		13,212	12,422	12,462	11,624
Less: Creditors – amounts falling due within one year	17	(8,323)	(7,999)	(7,383)	(7,018)
Net current assets		4,889	4,423	5,079	4,606
Total assets less current liabilities		43,272	43,271	41,406	41,352
Creditors – amounts falling due after more than one year	18	(7,253)	(7,244)	(6,096)	(6,096)
Provisions					
Defined benefit obligations	20	(18,840)	(18,840)	(24,540)	(24,540)
Other provisions	20	(1,146)	(1,146)	(1,501)	(1,501)
Total net assets		16,033	16,041	9,269	9,215
Unrestricted Reserves					
Income and expenditure account		3,459	3,566	(3,542)	(3,497)
Revaluation reserve		12,475	12,475	12,712	12,712
Total unrestricted reserves attributable to the Group		15,934	16,041	9,170	9,215
Minority interest		99	-	99	-
Total unrestricted reserves		16,033	16,041	9,269	9,215

The financial statements on pages 36 to 68 were approved and authorised for issue by the Corporation on 14 December 2017 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	2017 £'000	2016 £'000
Cash flow from operating activities			
(Deficit)/Surplus for the year		(666)	76
Adjustment for non-cash items			
Depreciation and amortisation		2,086	1,825
(Increase)/decrease in stocks		(3)	2
(Increase)/decrease in debtors		(577)	(352)
Increase/(decrease) in creditors due within one year		405	(1,100)
Increase/(decrease) in creditors due after one year		1,162	(131)
(Decrease)/increase in provisions		(361)	(43)
Pensions costs less contributions payable		1,730	1,030
Revaluation of investment properties		-	(1)
Taxation		2	8
Adjustment for investing or financing activities			
Investment income		(54)	(69)
Interest payable		21	22
Taxation paid		(15)	(26)
Loss on sale of fixed assets		494	31
Net cash flow from operating activities		<u>4,224</u>	<u>1,272</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Acquisition of subsidiary (net of overdraft)		-	(775)
Investment income		65	51
Withdrawal of deposits		1,000	-
New deposits		-	(1,979)
Payments made to acquire fixed assets		(4,120)	(1,587)
		<u>(3,055)</u>	<u>(4,290)</u>
Cash flows from financing activities			
Interest paid		(14)	(11)
Interest element of finance lease rental payments		(1)	(2)
New unsecured loans		86	-
Repayments of amounts borrowed		(88)	(80)
Capital element of finance lease rental payments		(2)	(3)
		<u>(19)</u>	<u>(96)</u>
Increase/(decrease) in cash and cash equivalents in the year		<u>1,150</u>	<u>(3,114)</u>
Cash and cash equivalents at beginning of the year	21	4,409	7,523
Cash and cash equivalents at end of the year	21	<u>5,559</u>	<u>4,409</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.

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. The Corporation was established in Wales and the registered office is Gower College Swansea, Tycoch Road, Sketty, Swansea, SA2 9EB.

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 2016 to 2017* 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.

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 2017.

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 £9.2m at 31 July 2017. The College currently has £0.9m of loans outstanding with bankers on terms negotiated in 2006. The loan is unsecured and falls due for repayment by 2026. 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 buildings, which were valued on incorporation in 1993, but not to adopt a policy of revaluations of these properties in the future. The College also revalued land as part of the transitional arrangements as at 1 August 2014, but not to adopt a policy of revaluations of the land 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 1st 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 1st 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

Investment properties 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 cost 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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. 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	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Welsh Government recurrent grant	22,887	22,887	22,433	22,433
Higher Education Funding Council for Wales	32	32	54	54
Specific grants				
Work Based Learning	4,488	4,165	4,008	3,847
Releases of Welsh Government capital grants	390	390	283	283
Other Welsh Government grants	1,353	1,353	1,400	1,400
Total	29,150	28,827	28,178	28,017

3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	584	537	781	613
Apprenticeship fees and contracts	1,262	-	1,338	-
Fees for FE loan supported courses	461	461	623	623
Fees for HE loan supported courses	1,276	1,276	1,056	1,056
International students fees	305	305	311	311
Total tuition fees	3,888	2,579	4,109	2,603
Education contracts	215	215	275	275
Total	4,103	2,794	4,384	2,878

4 Other grants and contracts	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	111	111	64	64
UK-based charities	-	-	-	-
European Commission	2,086	2,086	910	910
Other grants and contracts	285	285	312	312
Total	2,482	2,482	1,286	1,286

5 Other income	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Insurance proceeds (see note 28)	3,852	3,852	-	-
Catering and residences	788	788	769	769
Other income generating activities	542	542	588	588
Other grant income	298	296	306	303
Non-government capital grants	41	41	41	41
Miscellaneous income	763	852	851	899
Total	6,284	6,371	2,555	2,600

6 Investment income	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	-	-	-	-
Other interest receivable	54	54	69	69
	54	54	69	69
Net return on pension scheme (note 25)	-	-	-	-
Total	54	54	69	69

7 Donations – College only	2017	2016
	£'000	£'000
Unrestricted donations	-	18
Total	-	18

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:

	2017	2017	2016	2016
	Group	College	Group	College
	No.	No.	No.	No.
Full time equivalents				
Teaching department staff	508	483	492	471
Non-teaching department staff	217	202	210	195
	725	685	702	666
Headcount				
Teaching department staff	695	669	734	709
Non-teaching department staff	274	258	253	238
	969	927	987	947
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Staff costs for the above persons				
Wages and salaries	20,640	19,475	19,697	18,775
Social security costs	1,922	1,812	1,492	1,399
Other pension costs	4,247	4,236	3,394	3,394
Staff costs	26,809	25,523	24,583	23,568
Restructuring costs	231	231	105	105
Total Staff costs	27,040	25,754	24,688	23,673

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

	2017	2016
	No.	No.
The number of key management personnel including the Accounting Officer was:	3	3

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	
	2017 No.	2016 No.	2017 No.	2016 No.
£50,001 to £60,000 p.a.	-	-	1	2
£60,001 to £70,000 p.a.	-	-	8	6
£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	-	-
£140,001 to £150,000 p.a.	1	-	-	-
	3	3	9	9

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

Group	Key management personnel		Other staff	
	2017 £000	2016 £000	2017 £000	2016 £000
Salaries	309	306	564	548
Benefits in kind	-	-	-	2
	309	306	564	550
Employer pension contributions	52	49	72	68
	361	355	636	618

The number of other staff above and their associated remuneration includes two of the directors of the subsidiary company, Track Training Limited.

The employers national insurance in relation to key management personnel for the year was £39,000 (2016: £37,000).

College	Key management personnel		Other staff	
	2017 No.	2016 No.	2017 No.	2016 No.
£50,001 to £60,000 p.a.	-	-	1	2
£60,001 to £70,000 p.a.	-	-	6	5
£80,001 to £90,000 p.a.	2	2	-	-
£130,001 to £140,000 p.a.	-	1	-	-
£140,001 to £150,000 p.a.	1	-	-	-
	3	3	7	7

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

College	Key management personnel		Other staff	
	2017 £000	2016 £000	2017 £000	2016 £000
Salaries	309	306	431	426
Benefits in kind	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	309	306	431	426
Employer pension contributions	52	49	72	68
	<hr/>	<hr/>	<hr/>	<hr/>
	361	355	503	494

There were no amounts due to key management personnel or higher paid staff that were waived in the year.

Compensation for loss of office payable to higher paid staff amounted to £79,000 (2016: £nil).

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

	2017 £'000	2016 £'000
Salaries	140	139
Benefits in kind	-	-
	<hr/>	<hr/>
	140	139
	<hr/>	<hr/>
Pension contributions	23	23
	<hr/>	<hr/>

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 £1,093 (2016: £988) and related to 2 (2016: 4) Governors.

9 Other operating expenses

	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching department costs	3,486	3,571	4,599	4,291
Non-teaching department costs	3,281	3,007	2,757	2,568
Premises costs	2,627	2,578	1,956	1,904
Insurance expenditure (see note 28)	3,132	3,132	-	-
Total	12,526	12,288	9,312	8,763

Other operating expenses include:

	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Auditors' remuneration:				
Financial statements audit	24	20	23	19
Internal audit	11	11	12	12
Other services provided by the financial statements auditor				
- Grant audits	2	2	1	1
- Taxation advice	1	-	2	2
- Completion accounts work	-	-	3	3
Other services provided by the internal auditors	-	-	-	-
Hire of assets – buildings	149	120	71	44
Hire of assets - equipment	75	66	65	63

10 Interest and other finance costs – Group and College

	2017 Group	2017 College	2016 Group	2016 College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:	14	6	11	8
	<u>14</u>	<u>6</u>	<u>11</u>	<u>8</u>
On finance leases	1	-	2	-
Interest payable on early retirements	6	6	9	9
Pension finance costs (note 25)	570	570	510	510
Total	<u>591</u>	<u>582</u>	<u>532</u>	<u>527</u>

11 Taxation – Group only

	2017 £'000	2016 £'000
United Kingdom corporation tax	2	8
Provision for deferred corporation tax	<u>-</u>	<u>-</u>
Total	<u><u>2</u></u>	<u><u>8</u></u>

12

Tangible fixed assets (Group)

	Land and buildings		Equipment	Motor vehicles	Total
	Freehold	Long leasehold			
	£'000	£'000			
Cost or valuation					
At 1 August 2016	46,930	503	9,040	411	56,884
Additions	2,541	92	1,907	18	4,558
Disposals	(613)	(3)	(1,630)	-	(2,246)
At 31 July 2017	48,858	592	9,317	429	59,196
Depreciation					
At 1 August 2016	13,657	-	7,079	366	21,102
Charge for the year	1,009	-	947	22	1,978
Elimination in respect of disposals	(312)	-	(1,440)	-	(1,752)
At 31 July 2017	14,354	-	6,586	388	21,328
Net book value at 31 July 2017	34,504	592	2,731	41	37,868
Net book value at 31 July 2016	33,273	503	1,961	45	35,782

Tangible fixed assets (College only)

	Land and buildings		Equipment	Motor vehicles	Total
	Freehold	Long leasehold			
	£'000	£'000			
Cost or valuation					
At 1 August 2016	46,930	500	8,882	411	56,723
Additions	2,541	92	1,881	18	4,532
Disposals	(613)	-	(1,630)	-	(2,243)
At 31 July 2017	48,858	592	9,133	429	59,012
Depreciation					
At 1 August 2016	13,657	-	6,938	366	20,961
Charge for the year	1,009	-	935	22	1,966
Elimination in respect of disposals	(312)	-	(1,440)	-	(1,752)
At 31 July 2017	14,354	-	6,433	388	21,175
Net book value at 31 July 2017	34,504	592	2,700	41	37,837
Net book value at 31 July 2016	33,273	500	1,944	45	35,762

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 was revalued at open market value at 1 August 2014 as part of the transitional arrangements under FRS102.

Included within land and buildings (College and Group) is an amount of £1,513,000 (2016: £719,000) relating to assets in the course of construction.

Included within the net book value of tangible fixed assets (Group only) is £11,124 (2016: £nil) in respect of assets held under finance leases or similar hire purchase contracts. Depreciation for the year on assets held under finance leases or similar hire purchase contracts was £1,794 (2016: £6,448).

13 Intangible assets

Group	Goodwill	Software and Licences	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2016	283	199	482
Additions	-	78	78
Disposals	-	-	-
At 31 July 2017	283	277	560
Depreciation			
At 1 August 2016	52	30	82
Charge for the year	57	51	108
Elimination in respect of disposals	-	-	-
At 31 July 2017	109	81	190
Net book value at 31 July 2017	174	196	370
Net book value at 31 July 2016	231	169	400

College	Software and Licences	Total
	£'000	£'000
Cost or valuation		
At 1 August 2016	199	199
Additions	78	78
Disposals	-	-
At 31 July 2017	277	277
Depreciation		
At 1 August 2016	30	30
Charge for the year	51	51
Elimination in respect of disposals	-	-
At 31 July 2017	81	81
Net book value at 31 July 2017	196	196
Net book value at 31 July 2016	169	169

14 Non-current investments

a) Investments - College

	College	College
	2017	2016
	£'000	£'000
Investments in subsidiary companies	670	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 Manager are directors of Centre 4 Entrepreneurial Education CIC, a Community Interest Company limited by Guarantee.

b) Investment Properties – Group and College

	2017	2016
	£'000	£'000
Investment Properties	145	145

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

15 Debtors	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	1,713	865	1,659	797
Amounts owed by group undertakings:				
Subsidiary undertakings	-	137	-	48
Associate undertakings	12	12	-	-
Prepayments and accrued income	950	872	180	157
Amounts owed by Welsh Government	1,270	1,270	1,540	1,540
Total	3,945	3,156	3,379	2,542

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).

16 Short term deposits	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Short term deposits	3,500	3,500	4,500	4,500

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.

Short term deposits relate to one deposit of £3,500,000 maturing in January 2018.

17 Creditors falling due within one year	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	277	82	245	81
Other loans	11	11	-	-
Obligations under finance leases	2	-	-	-
Capital creditors	661	661	158	158
Trade payables	1,594	1,475	771	716
Amounts owed to group undertakings:				
Subsidiary undertakings	-	164	-	98
Associate undertakings	-	-	-	-
Corporation tax	4	-	17	-
Other taxation and social security	552	465	559	443
Holiday pay accrual	667	647	736	719
Accruals and deferred income	3,920	3,859	4,404	4,310
Deferred income - government capital grants	460	460	273	273
Deferred income - government revenue grants	175	175	220	220
Total	8,323	7,999	7,383	7,018

18 Creditors falling due after more than one	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Bank loans	796	796	880	880
Other loans	70	70	-	-
Obligations under finance leases	9	-	-	-
Deferred income - government capital grants	6,378	6,378	5,216	5,216
Total	7,253	7,244	6,096	6,096

(a) Bank loans and overdrafts

	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
In one year or less	277	82	245	81
Between one and two years	83	83	81	81
Between two and five years	253	253	250	250
In five years or more	460	460	549	549
Total	1,073	878	1,125	961

Gower College Swansea

The bank loan with Lloyds Bank is unsecured and incurs interest at base rate plus 0.35%. The loan is repayable in monthly instalments and is due to be fully repaid by 2026.

(b) Other loans

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	11	11	-	-
Between one and two years	11	11	-	-
Between two and five years	33	33	-	-
In five years or more	26	26	-	-
Total	81	81	-	-

Other loans relates to an interest free Salix loan to fund energy efficient improvements which is backed by the Welsh Government. The initial loan of £86,150 is repayable in six-monthly instalments and will be fully repaid in 2025.

(c) Obligations under finance leases

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	2	-	-	-
Between one and two years	3	-	-	-
Between two and five years	6	-	-	-
In five years or more	-	-	-	-
Total	11	-	-	-

19 Financial Instruments

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Financial assets				
Financial assets measured at amortised cost	12,911	12,199	12,272	11,457
Financial liabilities				
Financial liabilities measured at amortised cost	15,576	15,243	13,479	13,114

Financial assets that are debt instruments measured at amortised cost comprise debtors excluding prepayments and cash and cash equivalents.

Financial liabilities measured at amortised cost comprise trade creditors, loans, amounts due from connected parties and other creditors.

20 Provisions

	Group and College				Total
	Enhanced pensions	Other	Sub-total	Defined benefit obligations	
	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	1,105	396	1,501	24,540	26,041
Expenditure in the period	(79)	-	(79)	(1,370)	(1,449)
Movement in the period	32	5	37	(4,330)	(4,293)
Released in the period	-	(313)	(313)	-	(313)
At 31 July 2017	1,058	88	1,146	18,840	19,986

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 employment 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:

	2017	2016
Price inflation	1.3%	1.3%
Discount rate	2.3%	2.3%

21 Cash flows

	At 1 August 2016	Cash flows	At 31 July 2017
	£'000	£'000	£'000
Cash and cash equivalents	4,573	1,181	5,754
Overdrafts	(164)	(31)	(195)
Total	4,409	1,150	5,559

22 Capital and other commitments

	Group and College	
	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	3,167	513

23 Leases

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

Future minimum lease payments due	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Land and buildings				
Not later than one year	149	120	149	120
Later than one year and not later than five years	71	30	179	150
Later than five years	-	-	-	-
	220	150	328	270
Other				
Not later than one year	66	66	66	63
Later than one year and not later than five years	107	107	4	1
Later than five years	-	-	-	-
	173	173	70	64

24 Contingent liabilities

The College does not have any contingent liabilities.

25 Events after the reporting period

There are no reportable events after the balance sheet date.

26 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.

Total pension cost for the year - College	2017	2016
	£000	£000
Teachers' Pension Scheme: contributions paid	1,680	1,642
Local Government Pension Scheme:		
Contributions paid	1,370	1,190
FRS 102 (28) charge	1,160	520
Charge to the Statement of Comprehensive Income	2,530	1,710
Enhanced pension charge to Statement of Comprehensive Income	26	42
Total Pension Cost for Year within staff costs	4,236	3,394

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 2016. Contributions amounting to £403,000 (2016: £363,000) were payable to the schemes at 31st 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 £1,680,000 (2016: £1,642,000)

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 2017 were £1,820,000 (2016: £1,600,000) of which employer's contributions totalled £1,370,000 (2016: £1,190,000) and employees' contributions totalled £450,000 (2016: £410,000).

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 were 15.4% for employers and range from 5.5% to 12.5% for employees, depending on salary. The actuary has determined the rates from 1 April 2017 (which incorporate an element to meet the past service deficit) as follows:

1 April 2017 to 31 March 2018 – 21.7%

1 April 2018 to 31 March 2020 – 21.8%

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.5%	3.3%	3.6%
Future pensions increases	2.0%	1.8%	2.1%
Discount rate for scheme liabilities	2.6%	2.4%	3.6%
Inflation assumption (CPI)	2.0%	1.8%	2.1%
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 2017	At 31 July 2016
	Years	years
<i>Retiring today</i>		
Males	22.9	22.7
Females	24.4	25.2
<i>Retiring in 20 years</i>		
Males	24.5	24.9
Females	26.2	27.5

	Fair Value at 31 July 2017	Fair Value at 31 July 2016
	£'000	£'000
Equity instruments	31,889	27,572
Government bonds	4,614	4,694
Property	2,019	1,996
Cash	1,154	1,183
Corporate bonds	370	370
Other	1,154	1,145
Total fair value of plan assets	41,200	36,960
Actual return on plan assets	3,480	2,880

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

	2017	2016
	£'000	£'000
Fair value of plan assets	41,200	36,960
Present value of plan liabilities	(60,040)	(61,500)
Net pensions (liability)/asset (Note 20)	(18,840)	(24,540)

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

	2017	2016
	£'000	£'000
Amounts included in staff costs		
Current service cost	2,530	1,710
Past service cost	-	-
Total	2,530	1,710
Amounts included in interest and other finance costs		
Net interest cost	570	510
	570	510

Amount recognised in Other Comprehensive Income

Return on pension plan assets	2,580	1,670
Experience gains/(losses) arising on defined benefit obligations	4,850	(10,340)
Amount recognised in Other Comprehensive Income	7,430	(8,670)

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

	2017	2016
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(24,540)	(14,840)
Movement in year:		
Current service cost	(2,530)	(1,710)
Employer contributions	1,370	1,190
Past service cost	-	-
Net interest on the defined (liability)/asset	(570)	(510)
Actuarial gain or loss	7,430	(8,670)
Net defined benefit (liability)/asset at 31 July	(18,840)	(24,540)

Asset and Liability Reconciliation

	2017	2016
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	61,500	47,910
Current service cost	2,530	1,710
Interest cost	1,470	1,720
Contributions by Scheme participants	450	410
Experience gains and losses on defined benefit obligations	(4,850)	10,340
Estimated benefits paid	(1,060)	(590)
Past Service cost	-	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	60,040	61,500

Changes in fair value of plan assets

Fair value of plan assets at start of period	36,960	33,070
Interest on plan assets	900	1,210
Return on plan assets	2,580	1,670
Employer contributions	1,370	1,190
Contributions by Scheme participants	450	410
Estimated benefits paid	(1,060)	(590)
Fair value of plan assets at end of period	41,200	36,960

Track Training Limited has operated a NEST pension scheme for staff since November 2016. Contributions to the scheme by the company are at 1% of pensionable pay and amounted to £11,000 in the year. Amounts payable to the pension scheme at the year end amounted to £4,000.

27 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 £1,093; 2 governors (2016: £988; 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 (other than the Principal or staff governors) has received any remuneration or waived payments from the College or its subsidiaries during the year (2016: None).

Related party transactions are as follows:

	Income	Expenditure	Income	Expenditure
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
City & County of Swansea	160	134	260	1,142
Meirion Howells Project Management	-	7	-	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 was 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 prior year related to the supply of electricity.

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

28 Amounts disbursed as agent

Financial Contingency Funds

	2017	2016
	£'000	£'000
Funding body grants – unspent amounts from prior year	22	29
Funding body grants – discretionary learner support	491	546
	513	575
Disbursed to students	(496)	(537)
Administration costs	(15)	(16)
	2	22

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.

29 Significant Events

In October 2016 a fire caused significant damage to the main teaching block at the College's Tycoch Campus. Over the course of the year the College has been restoring the damaged facilities whilst also providing alternative temporary accommodation to continue teaching students.

At 31 July 2017, the impact on the College's results for the year was:

	£000
Insurance proceeds relating to items charged to the Statement of Comprehensive Income	3,132
Insurance proceeds relating to replacement of fixed assets	720
Insurance proceeds in the period to 31 July 2017	3,852

Of the above amount, £602,000 was included within debtors at the year end. The College expects the total cost of the insurance works to exceed £5 million and that this will be fully funded by the College's insurers.

Fixed assets with a net book value of £491,000 have been written off as a result of the fire.