



Gower College Swansea
Coleg Gŵyr Abertawe

Gower College Swansea

Annual Report and Financial Statements for the year ended 31 July 2018

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the Strategic Planning Group and were represented by the following in 2017/18:

Mark Jones, Principal and CEO; Accounting officer
Nick Brazil, Deputy Principal
Paul Harris, Vice Principal Corporate Services
Kay Morgan, Vice Principal Academic Services
Paul Kift, Director of Skills and Business Development
Sarah King, Director of HR

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.

Financial statements auditor and reporting accountants:

Mazars LLP
90 Victoria Street
Bristol
BS1 6DP

Internal auditors:

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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 2018.

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 (Jubilee Court) and the 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.

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.

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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 771 people (expressed as full time equivalents (FTEs)), of whom 528 are in teaching departments. A further 38 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 2017/18 the College has delivered activity that has produced £23.3 million in funding body main recurrent grant funding (2016/17 – £22.9 million). The College had approximately 4,200 full time students and 3,500 part time students.

Student achievements

Students continue to prosper at the College, with successful completion rates of 87%.

Curriculum developments

During 2017/18 senior management and curriculum managers continued to focus on priority curriculum areas as identified from labour market intelligence in 2016, namely:

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

Industry experts were brought in to work with curriculum teams in the fields of digital / ICT, engineering/energy and finance, professional services & business. Increasing use was also made of industry boards to guide and direct future curriculum developments.

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 better meet student and industry needs. During 2017/18 the College continued

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to grow its provision in construction. 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 such as "The Bridge" programme and Level 1 Vocational Studies which provide tasters to keep young people in education and to progress on to vocational programs the following year have been enhanced through the introduction of an Academic Skills programme.

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 Welsh Government funded Seren Hub activities.

The College recognises that many students wish to study higher education in the local area. The College has good relationships with local HEIs and further afield Glyndwr University and the University of Gloucestershire. This has resulted in a further increase in the number of Higher Education courses and enrolments with six new HE courses. It is part of the College strategy to continue to develop these level 4 and level 5 courses with partner HEIs to grow the level of HE activity at Gower College Swansea.

Quality and Standards

Estyn undertook a full inspection of all mainstream FE provision at the College in January 2018. The outcome of the inspection is set out below:

Overall College Outcomes

Current performance	Good
Prospects for improvement	Good
Key Question 1 - How good are the outcomes?	Good
1.1 Standards	Good
1.2 Wellbeing	Good
Key Question 2 - How good is the provision?	Good
2.1 Learning Experiences	Good
2.2 Teaching	Good
2.3 Care, support and guidance	Excellent
2.4 Learning Environment	Good
Key Question 3 - How good are leadership and management	Good
3.1 Leadership	Good
3.2 Improving Quality	Good
3.3 Partnership Working	Excellent
3.4 Resource Management	Good

Learning Area Outcomes

Learning Area	KQ1 - How good are the outcomes?	KQ 2 - How good is the provision?
Skills	Adequate	Adequate
Business, Administration & Law	Good	Good
Health, Social Care & Childcare	Good	Good
Engineering & Manufacturing Technologies	Good	Good
A Levels	Good	Good
Art & Design	Good	Good

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The College has an improvement action plan in place to address the recommendations of the inspection team.

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 87% in 2016/17.

	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%
2016/17	87%	87%

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 Process with scrutiny on underperforming courses by a Quality Improvement Panel.

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 worked 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 both of which were achieved. The 2018/19 Annual Operational Plan sets a target for both academic and vocational qualifications to be in the top quartile.

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Work Based Learning (WBL) - Wales

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 and approximately £7.5 million for 2018/19.

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

Programme	Measure	Achievement	Achievement	Achievement	National comparator
		Actual 2015/16	Actual 2016/17	Projected 2017/18	
Apprenticeships	Framework success	78%	81%	83%	86%

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

Estyn undertook an inspection in February 2016 of the College's Work Based Learning (WBL) as 'Swansea Bay Skills Partnership', a consortium formed in April 2015. The College had been asked to lead this by Welsh Government. The consortium consisted of:

- Gower College Swansea
- City and County of Swansea (CCOS) Lifelong Learning Employment Training (LLETS)
- 6 sub-contractors (majority of these through LLETS).

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.

This inspection was based on verified data from 2014/15 and the predicted improved data for 2016/17 could not be used in the judgement although Estyn reported '*unpublished data for 2015-2016 shows that attainment rates for learners are beginning to improve*'. In October 2017, Estyn completed a monitoring visit to assess progress against their 8 recommendations. They found

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satisfactory progress for 5 of the recommendations but 3 were judged to have made limited progress. These areas were:

Recommendation 1: Improve the rates at which learners successfully complete their training frameworks and qualifications

Recommendation 6: Improve the way in which learners' performance is monitored and managed

Recommendation 7: Improve the accuracy of self-assessment

Again, due to timing of the monitoring visit, although achievement rates had improved, only verified data (the same as had been considered in the inspection) could be considered, and so progress was judged as limited. The verified data was not available until December.

The inspection results were:

	2015/16 Estyn Judgement	2016/17 College Self- Assessment Judgement (based on 15/16 data)	2017/18 College Self- Assessment Report (based on 16/17 data)
Key Question 1 - How good are outcomes? 1.1 Standards 1.2 Well Being	Adequate Good	Adequate Good	Good Good
Key Question 2 - How good is provision?	Adequate	Good	Good
Key Question 3 - How good are leadership and management?	Adequate	Good	Good
Overall Rating	Adequate	Good	Good
Prospects for Improvement	Adequate	Good	Good

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.

Since then, the College has further revised systems and processes within work based learning and across our delivery partners (8 college faculties & 2 sub-contractors). There have been improvements in quality and performance and the College allocates more apprenticeship funding to the better performing areas and has reduced apprenticeship starts in poorer performing areas until further improvements are shown. Verified data has confirmed the continued improvement trend (81% for 2016/17 and predicted 2017/18 of 83%)

The College has produced a much strengthened Quality Development Plan with a focus on embedding quality improvements and demonstrating impact.

There is an Estyn inspection monitoring visit on 3-6th December to review our revised progress against the recommendations from the Feb 2016 inspection. We are still on our improvement journey and working towards our vision of becoming Grade 1 (Excellent rating) provision by our 2020 Self-Assessment report. Improvements have been made and the positive impact of these should be demonstrated during the Estyn monitoring visit and that the College will be judged satisfactory in all areas and removed from monitoring.

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) is as follows:

	2016/17 £000	2017/18 £000
"Adjusted EBITDA"	2,693	1,918
Depreciation and amortisation (net of grants)	(1,655)	(2,120)
Impact of insurance relating to the fire	229	874
Exceptional staff costs	(231)	(100)
Net interest receivable	33	(56)
Loss on disposal of fixed assets	(3)	-
Taxation	(2)	-
Minority interest	-	24
Surplus before pension adjustments	1,064	540
Actuarial pension adjustments	5,700	2,310
Surplus/(Deficit) for the year	6,764	2,850

Financial results

The Group generated a consolidated surplus (before actuarial pension scheme charges) of £540,000 (2016/17 – £1,064,000), with total comprehensive income of £2,850,000, (2016/17 - £6,764,000).

For 2017/18, recurrent grant funding for the College was increased by 1.25% resulting in a cash increase of £284,000 for direct delivery to students. The College welcomes the commitment by WG to the FE sector through the additional funding. 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 to the LGPS Pension Scheme from April 2017 (full year impact realised in 2017/18)
- Funded the introduction of the Apprenticeship Levy from April 2017 (full year impact realised in 2017/18)

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These increases are on top of the significant increases in the prior year relating to 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) and an increase in employer pension contributions to the Teachers' Pension Scheme (TPS) from September 2015.

Further increases in the TPS employer contributions are expected from September 2019 and may impact on the College by up to £1 million.

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 £18,859,000 and cash and short term investment balances of £2,327,000. 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 £7,466,000. This was split between improvement to land and buildings of £5,880,000 and equipment purchased of £1,586,000. This investment was part financed through Welsh Government grants.

The College also welcomed the allocation of an estates maintenance grant in the year. An additional £141,000 was utilised 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 2017/18, Welsh Government provided 53% (2016/17: 54%) 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.

The College subsidiary, Track Training Limited ("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, interest and group recharges generated by Track amounted to £98,000.

The acquisition of Track has complemented the College's own employer engagement activities and generates income and surpluses for reinvestment in the College.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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

Cash flows and liquidity

At £1.1 million (2016/17 £4.2 million), net cash flow from operating activities was reasonably strong.

Current borrowing levels are low and estate developments have historically been funded through a mixture of cash reserves and Welsh Government grants. During the year the College put in place facilities to fund the estates development on the Tycoch and Gorseinon campuses. The bank loan of £2.0 million was drawn down after the year end. This bank loan from HSBC incurs interest at base rate plus 1.65% and is due for full review in October 2023 and will need to be refinanced or repaid at this date. The College also utilised an "Invest to Save" loan (£61,000) to fund energy efficient improvements. The "Invest to Save" 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 15 days (2016/17: 33 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 completed redevelopment of the front of the Tycoch Campus. This exciting development commenced in February 2017 and was completed in February 2018. The £4.5 million refurbishment has created better and additional social space facilities for our students on the ground floor and a dedicated HE centre for the growing number of full time higher education courses delivered by the College. This development has been part funded by capital grants from Welsh Government.

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The College has also developed student facilities in the Gorseinon Campus with the £2 million addition of the Gorseinon Coffee Hut providing some much needed additional space.

Finally the commissioning of the Employability Hub at a City Centre site is an exciting new development for the College. The College works with other local partners, including the City and County of Swansea and Job Centres, 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.

Risk Management, Principal Risks and Uncertainties

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

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

Based on the strategic plan, the Risk Management Committee undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Committee will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

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

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

Welsh Government recurrent grant

The College has considerable reliance on continued government funding through the Welsh Government (WG). In 2017/18, 53% (2016/17: 54%) of the Group's revenue was via the recurrent grant from Welsh Government. There are 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, apprenticeship and commercial activity in England 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 2. The project focuses on employer engagement and delivers work placed training to staff at local employers throughout the region. Significant ESF funding is also used to support the Employability Hub activities, *Better Jobs, Better Futures*.

This risk is partially mitigated by ongoing dialogue with the Welsh European Funding Office (WEFO) to determine scope of future funding. WEFO have recently extended projects to December 2021 and there may be opportunities to further extend projects to December 2023.

Augar Review of Higher Education

The Augar Review on Higher Education is expected to report on alternative fee structures which may impact on the levels of fees payable by students and hence on the College finances. The report is expected in early 2019.

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 April 2017, the employer's contribution rate to the LGPS increased annualised costs by 20% (£250,000 per annum) and the Apprenticeship Levy was also introduced.

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 21% and would impact on employers from September 2019. It is estimated that this may impact the College by £1 million. The FE sector is in discussions with Welsh Government on potential additional funding.

Teachers in Wales have been awarded an "above 1%" cost of living pay award from September 2018, thus ending pay restraint for the education sector. The College welcomes the Welsh Government position that FE lecturers in Wales are performing the same role as teachers and the commitment from Welsh Government to provide additional funding for FE lecturers pay together with additional funding for other staff in FE colleges.

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 achieving ISO:27001 (Information Assurance Standard) accreditation and achieving certification in Cyber Essentials Plus.

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 asset 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 £16.5 million (2017: £18.8 million).

Health, Safety and the Environment

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

The number of RIDDORS (reportable accidents) in this year was 1 (prior year: 3). 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.

The College has commenced a replacement programme of 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

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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.

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.

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

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

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

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

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

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

Further, the College is the lead in the 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.

Gower College Swansea

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 20 December 2018 and signed on its behalf by:

A handwritten signature in cursive script, reading 'Colin Cornelius', is written over 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 2017 to 31st July 2018 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 2018. 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	2010/2014/2018	4 years	3/6	Vice Chair : Corporation Board (from May 2016) HROD (Chair), F&GP, Rem, S&G
Mrs C Green	2012/2016	4 years	3/6	Audit (Vice-Chair), HROD, LS
Dr D Ashelby	2010/2014/2018	4 years	6/6	C&Q (Chair), F&GP, S&G
Mr J Britton	2010/2014/2015	4 years	3/6	F&GP (Vice Chair), C&Q
Mr T Clark (Staff)	2014	4 years	0/6	Audit, S&G
Mr A M Day	2012/2016	4 years	1/6	C&Q, HROD (Vice-Chair)
Mr A Donald	2010/2014/2018	4 years	3/6	F&GP (Chair), HROD, Rem
Mr M Howells	2016	4 Years	6/6	F&GP, LS
Miss Chloe Harries	2017	1 year	5/6	C&Q LS
Cllr Oliver James	2018 (Feb)	4 years	1/4	
Mr M Jones (Principal and Chief Executive)	2013	Whilst Principal	6/6	C&Q, LS, F&GP
Mr Ceri Low (Staff)	2014	4 years	4/6	Audit LS (Vice Chair)
Miss Charlie Mallinson	2017	1 year	1/6	C&Q, LS
Ms F Rees	2010/2017	4 years	5/6	HROD (for 2017-18), LS (Chair), S&G (Vice Chair), Audit
Mr K Rees	2016	4 years	4/6	Audit, S&G
Cllr Kelly Roberts	2018 (Feb)	4 years	0/4	
Miss Yasmin Shipperley*	2018	1 year	n/a	C&Q, LS
Judge R Singh	2010/2014/2018	4 years	6/6	Audit (Chair)
Mrs Denise Thomas	2018 (June)	4 years	n/a	Audit, C&Q, LS,
Daniel Tinsley*	2018	1 year	n/a	C&G, LS

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Mr G Williams	2010/2014/2017	4 years	5/6	C&Q (Vice Chair)
Mrs S Williams	2016	4 years	4/6	HROD, LS

Key :			
F&GP	Finance & General Purposes Committee	Rem	Remuneration Committee
HROD	Human Resources and Organisational Development Committee	C&Q	Curriculum & Quality Committee
S&G	Search & Governance Committee	LS	Learner Support Committee
*	Appointed in October 2018 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 and Organisational Development, 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.

Gower College Swansea

Appointments to the Corporation

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

Chair of Governors

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

Principal

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

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

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

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

Finance and General Purposes Committee

The Committee comprises seven Governors and meets to consider, advise and report to the Corporation Board on all aspects of the College's finances, financial policies and controls, and on other matters such as Estates. The Committee met on 5 occasions during 2017/18.

Human Resources and Organisational Development Committee

The Committee comprises six (seven for 2017-18) 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 2017/18.

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

Gower College Swansea

development of the Corporation. The Committee convened on 4 occasions during 2017/18.

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 2017/18.

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 2017/18.

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 19 October 2017. Details of remuneration for the year ended 31 July 2018 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 2017/18.

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 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 2018 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 2018 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

Gower College Swansea

Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

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 20 December 2018 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 20 December 2018 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 2017 to 2018* 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

Gower College Swansea

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 20 December 2018 and signed on its behalf by:

A handwritten signature in black ink, reading "Colin Cornelius", is written over a rectangular box. A diagonal line is drawn across the bottom right corner of the box.

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 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement 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 2018 and of the College's deficit of expenditure over income 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 annual report 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 Members 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.

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

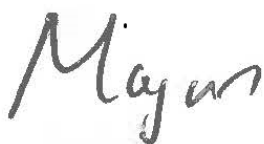
Opinion on other matters prescribed in the Further Education Audit Code of Practice 2015 issued by the Welsh Government

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.

Use of the audit report

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



Mazars LLP

Chartered Accountants and Statutory Auditor

Address

Date: 21.12.2018

Gower College Swansea

Consolidated Statements of Comprehensive Income

	Notes	2018 Group	2018 College	2017 Group	2017 College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	32,421	32,249	29,150	28,827
Tuition fees and education contracts	3	4,035	3,399	4,103	2,794
Other grants and contracts	4	3,158	3,158	2,482	2,482
Other income	5	4,309	4,450	6,284	6,371
Investment income	6	24	24	54	54
Donations and Endowments	7	-	-	-	-
Total income		43,947	43,280	42,073	40,528
EXPENDITURE					
Staff costs	8	29,753	28,439	26,809	25,523
Fundamental restructuring costs	8	100	100	231	231
Other operating expenses	9	11,884	12,505	12,526	12,288
Depreciation and amortisation	12,13	2,584	2,509	2,086	2,017
Interest and other finance costs	10	540	470	591	582
Total expenditure		44,861	44,023	42,243	40,641
(Deficit)/surplus before other gains and losses		(914)	(743)	(170)	(113)
Loss on disposal of assets	12	-	-	(494)	(491)
(Deficit)/surplus before tax		(914)	(743)	(664)	(604)
Taxation	11	-	-	(2)	-
(Deficit)/surplus for the year		(914)	(743)	(666)	(604)
Actuarial gain/(loss) in respect of pensions schemes	26	3,740	3,740	7,430	7,430
Total Comprehensive Income for the year before minority interest		2,826	2,997	6,764	6,826
Minority interest		24	-	-	-
Total Comprehensive Income for the year		2,850	2,997	6,764	6,826
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive income		2,850	2,997	6,764	6,826
(Deficit)/Surplus for the year attributable to:					
Non-controlling interest		24	-	-	-
Group		(914)	(743)	(666)	(604)
		(890)	(743)	(666)	(604)
Total Comprehensive Income for the year attributable to:					
Non-controlling interest		24	-	-	-
Group		2,826	2,997	6,764	6,826
		2,850	2,997	6,764	6,826

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 2016	(3,542)	12,712	9,170	99	9,269
Surplus/(deficit) 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)	-	-	-
Minority interest arising on acquisition	-	-	-	-	-
Movement in the year	7,001	(237)	6,764	-	6,764
Balance at 31st July 2017	3,459	12,475	15,934	99	16,033
(Deficit)/Surplus from the income and expenditure account	(890)	-	(890)	(24)	(914)
Other comprehensive income	3,740	-	3,740	-	3,740
Transfers between revaluation and income and expenditure reserves	237	(237)	-	-	-
Total comprehensive income for the year	3,087	(237)	2,850	(24)	2,826
Balance at 31 July 2018	6,546	12,238	18,784	75	18,859
College					
Balance at 1st August 2016	(3,497)	12,712	9,215	-	9,215
Surplus/(deficit) 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)	-	-	-
Movement in the year	7,063	(237)	6,826	-	6,826
Balance at 31st July 2017	3,566	12,475	16,041	-	16,041
(Deficit)/Surplus from the income and expenditure account	(743)	-	(743)	-	(743)
Other comprehensive income	3,740	-	3,740	-	3,740
Transfers between revaluation and income and expenditure reserves	237	(237)	-	-	-
Total comprehensive income for the year	3,234	(237)	2,997	-	2,997
Balance at 31 July 2018	6,800	12,238	19,038	-	19,038

Gower College Swansea

Balance sheets as at 31 July

	Notes	Group	College	Group	College
		2018	2018	2017	2017
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible fixed assets	13	382	265	370	196
Tangible fixed assets	12	42,103	42,078	37,868	37,837
Investments	14	-	670	-	670
Investment properties	14	145	145	145	145
		42,630	43,158	38,383	38,848
Current assets					
Stocks		12	12	13	13
Trade and other receivables	15	6,268	5,979	3,945	3,156
Investments	16	772	772	3,500	3,500
Cash and cash equivalents	21	2,327	2,327	5,754	5,753
		9,379	9,090	13,212	12,422
Less: Creditors – amounts falling due within one year	17	(8,120)	(8,186)	(8,323)	(7,999)
Net current assets		1,259	904	4,889	4,423
Total assets less current liabilities		43,889	44,052	43,272	43,271
Creditors – amounts falling due after more than one year	18	(7,380)	(7,374)	(7,253)	(7,244)
Provisions					
Defined benefit obligations	20	(16,530)	(16,530)	(18,840)	(18,840)
Other provisions	20	(1,120)	(1,120)	(1,146)	(1,146)
Total net assets		18,859	19,038	16,033	16,041
Unrestricted Reserves					
Income and expenditure account		6,546	6,800	3,459	3,566
Revaluation reserve		12,238	12,238	12,475	12,475
Total unrestricted reserves attributable to the Group		18,784	19,038	15,934	16,041
Minority interest		75	-	99	-
Total unrestricted reserves		18,859	19,038	16,033	16,041

The financial statements on pages 38 to 71 were approved and authorised for issue by the Corporation on 20 December 2018 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	2018 £'000	2017 £'000
Cash flow from operating activities			
(Deficit)/Surplus for the year		(914)	(666)
Adjustment for non-cash items			
Depreciation and amortisation		2,584	2,086
Decrease/(Increase) in stocks		1	(3)
(Increase)/decrease in debtors		(2,345)	(577)
Increase/(decrease) in creditors due within one year		110	405
Increase/(decrease) in creditors due after one year		168	1,162
(Decrease)/increase in provisions		(29)	(361)
Pensions costs less contributions payable		1,430	1,730
Revaluation of investment properties		-	-
Taxation		-	2
Adjustment for investing or financing activities			
Investment income		(24)	(54)
Interest payable		80	21
Taxation paid		(1)	(15)
Loss on sale of fixed assets		-	494
Net cash flow from operating activities		<u>1,060</u>	<u>4,224</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Acquisition of subsidiary (net of overdraft)		-	-
Investment income		46	65
Withdrawal of deposits		3,500	1,000
New deposits		-	-
Payments made to acquire fixed assets		(7,757)	(4,120)
		<u>(4,211)</u>	<u>(3,055)</u>
Cash flows from financing activities			
Interest paid		(82)	(14)
Interest element of finance lease rental payments		(2)	(1)
New unsecured loans		61	86
Repayments of amounts borrowed		(87)	(88)
Capital element of finance lease rental payments		(6)	(2)
		<u>(116)</u>	<u>(19)</u>
(Decrease)/increase in cash and cash equivalents in the year		<u>(3,267)</u>	<u>1,150</u>
 Cash and cash equivalents at beginning of the year	21	5,559	4,409
Cash and cash equivalents at end of the year	21	<u>2,292</u>	<u>5,559</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 2017 to 2018* 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 2018.

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 cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying notes.

The College has cash reserves of £2.3m at 31 July 2018. The cash balances have reduced in comparison with the prior year following the ongoing investment in the College estate. In October 2018, the College drew down £2.0m of bank loans from HSBC as part of the capital investment programme. The new loan is secured against the Tycoch Campus. In addition, the College has a further £0.8m of loans outstanding from prior years. This 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 its existing facilities 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 2018. 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	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Welsh Government recurrent grant	23,323	23,323	22,887	22,887
Higher Education Funding Council for Wales	26	26	32	32
Specific grants				
Work Based Learning	6,983	6,811	4,488	4,165
Releases of Welsh Government capital grants	423	423	390	390
Other Welsh Government grants	1,666	1,666	1,353	1,353
Total	32,421	32,249	29,150	28,827

3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	720	640	584	537
Apprenticeship fees and contracts	648	92	1,262	-
Fees for FE loan supported courses	430	430	461	461
Fees for HE loan supported courses	1,327	1,327	1,276	1,276
International students fees	557	557	305	305
Total tuition fees	3,682	3,046	3,888	2,579
Education contracts	353	353	215	215
Total	4,035	3,399	4,103	2,794

4 Other grants and contracts	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	164	164	111	111
UK-based charities	-	-	-	-
European Commission	2,645	2,645	2,086	2,086
Other grants and contracts	349	349	285	285
Total	3,158	3,158	2,482	2,482

5 Other income

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Insurance proceeds (see note 28)	1,630	1,630	3,852	3,852
Catering and residences	820	820	788	788
Other income generating activities	539	539	542	542
Other grant income	280	280	298	296
Non-government capital grants	41	41	41	41
Miscellaneous income	999	1,140	763	852
Total	4,309	4,450	6,284	6,371

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	-	-	-	-
Other interest receivable	24	24	54	54
	24	24	54	54
Net return on pension scheme (note 25)	-	-	-	-
Total	24	24	54	54

7 Donations – College only

	2018	2017
	£'000	£'000
Unrestricted donations	-	-
Total	-	-

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:

	2018 Group No.	2018 College No.	2017 Group No.	2017 College No.
Full time equivalents				
Teaching department staff	552	528	508	483
Non-teaching department staff	257	243	217	202
	809	771	725	685
Headcount	No.	No.	No.	No.
Teaching department staff	719	695	695	669
Non-teaching department staff	284	268	274	258
	1,003	963	969	927

	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
Staff costs for the above persons				
Wages and salaries	22,937	21,758	20,640	19,475
Social security costs	2,126	2,009	1,922	1,812
Other pension costs	4,690	4,672	4,247	4,236
Staff costs	29,753	28,439	26,809	25,523
Restructuring costs	100	100	231	231
Total Staff costs	29,853	28,539	27,040	25,754

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 Strategic Planning Group which comprises the Principal, the Deputy Principal, the Vice Principal Corporate Services, the Vice Principal Academic Services, the Director of Skills and Business Development and the Director of HR. 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

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	6	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	
	2018 No.	2017 No.	2018 No.	2017 No.
£60,001 to £70,000 p.a.	-	-	5	7
£70,001 to £80,000 p.a.	2	-	-	-
£80,001 to £90,000 p.a.	2	2	1	1
£90,001 to £100,000 p.a.	1	-	-	-
£130,001 to £140,000 p.a.	-	-	-	-
£140,001 to £150,000 p.a.	1	1	-	-
	6	3	6	8

The increase in the number of staff above relates to the appointment of the Deputy Principal during the year.

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

Group	Key management personnel		Other staff	
	2018 £000	2017 £000	2018 £000	2017 £000
Salaries	512	309	400	508
Benefits in kind	-	-	-	-
	512	309	400	508
Employer pension contributions	95	52	44	63
	607	361	444	571

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

The employer's national insurance in relation to key management personnel for the year was £66,000 (2017: £39,000).

College	Key management personnel		Other staff	
	2018 No.	2017 No.	2018 No.	2017 No.
£60,001 to £70,000 p.a.	-	-	4	6
£70,001 to £80,000 p.a.	2	-	-	-
£80,001 to £90,000 p.a.	2	2	-	-
£90,001 to £100,000 p.a.	1	-	-	-
£100,001 to £110,000 p.a.	-	-	-	-
£130,001 to £140,000 p.a.	-	-	-	-
£140,001 to £150,000 p.a.	1	1	-	-
	6	3	4	6

Gower College Swansea

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

College	Key management personnel		Other staff	
	2018 £000	2017 £000	2018 £000	2017 £000
Salaries	512	309	247	375
Benefits in kind	-	-	-	-
	512	309	247	375
Employer pension contributions	95	52	44	63
	607	361	291	438

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 £85,000 (2017: £79,000).

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

	2018 £'000	2017 £'000
Salaries	142	140
Benefits in kind	-	-
	142	140
Pension contributions	23	23

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 £1,989 (2017: £1,093) and related to 4 (2017: 2) Governors.

9 Other operating expenses

	2018 Group	2018 College	2017 Group	2017 College
	£'000	£'000	£'000	£'000
Teaching department costs	4,532	5,540	3,486	3,571
Non-teaching department costs	3,834	3,487	3,281	3,007
Premises costs	2,762	2,722	2,627	2,578
Insurance expenditure (see note 29)	756	756	3,132	3,132
Total	11,884	12,505	12,526	12,288

Other operating expenses include:

	2018 Group	2018 College	2017 Group	2017 College
	£'000	£'000	£'000	£'000
Auditors' remuneration:				
Financial statements audit	25	20	24	20
Internal audit	12	12	11	11
Other services provided by the financial statements auditor				
- Grant audits	3	3	2	2
- Taxation advice	1	-	1	-
- Compliance reviews	3	3	-	-
Other services provided by the internal auditors	-	-	-	-
Hire of assets – buildings	202	173	149	120
Hire of assets - equipment	76	70	75	66

10 Interest and other finance costs – Group and College

	2018 Group	2018 College	2017 Group	2017 College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:	75	7	14	6
	<u>75</u>	<u>7</u>	<u>14</u>	<u>6</u>
On finance leases	2	-	1	-
Interest payable on early retirements	3	3	6	6
Pension finance costs (note 25)	460	460	570	570
Total	<u>540</u>	<u>470</u>	<u>591</u>	<u>582</u>

11 Taxation – Group only

	2018 £'000	2017 £'000
United Kingdom corporation tax	-	2
Provision for deferred corporation tax	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>2</u>

12

Tangible fixed assets (Group)

	Land and buildings		Equipment	Motor vehicles	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2017	48,858	592	9,317	429	59,196
Additions	5,700	180	1,488	98	7,466
Disposals	-	-	(59)	(185)	(244)
Transfer to current asset investments	-	(772)	-	-	(772)
At 31 July 2018	54,558	-	10,746	342	65,646
Depreciation					
At 1 August 2017	14,354	-	6,586	388	21,328
Charge for the year	1,194	-	1,233	32	2,459
Elimination in respect of disposals	-	-	(59)	(185)	(244)
At 31 July 2018	15,548	-	7,760	235	23,543
Net book value at 31 July 2018	39,010	-	2,986	107	42,103
Net book value at 31 July 2017	34,504	592	2,731	41	37,868

Tangible fixed assets (College only)

	Land and buildings		Equipment	Motor vehicles	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2017	48,858	592	9,133	429	59,012
Additions	5,700	180	1,476	98	7,454
Disposals	-	-	(59)	(185)	(244)
Transfer to current asset investments	-	(772)	-	-	(772)
At 31 July 2018	54,558	-	10,550	342	65,450
Depreciation					
At 1 August 2017	14,354	-	6,433	388	21,175
Charge for the year	1,194	-	1,215	32	2,441
Elimination in respect of disposals	-	-	(59)	(185)	(244)
At 31 July 2018	15,548	-	7,589	235	23,372
Net book value at 31 July 2018	39,010	-	2,961	107	42,078
Net book value at 31 July 2017	34,504	592	2,700	41	37,837

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 £1,338,000 (2017: £1,513,000) relating to assets in the course of construction.

Included within the net book value of tangible fixed assets (Group only) is £11,000 (2017: £11,000) 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 £6,000 (2017: £2,000).

13 Intangible assets

Group	Goodwill	Software and Licences	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2017	283	277	560
Additions	-	137	137
Disposals	-	-	-
At 31 July 2018	283	414	697
Depreciation			
At 1 August 2017	109	81	190
Charge for the year	57	68	125
Elimination in respect of disposals	-	-	-
At 31 July 2018	166	149	315
Net book value at 31 July 2018	117	265	382
Net book value at 31 July 2017	174	196	370

College	Software and Licences	Total
	£'000	£'000
Cost or valuation		
At 1 August 2017	277	277
Additions	137	137
Disposals	-	-
At 31 July 2018	414	414
Depreciation		
At 1 August 2017	81	81
Charge for the year	68	68
Elimination in respect of disposals	-	-
At 31 July 2018	149	149
Net book value at 31 July 2018	265	265
Net book value at 31 July 2017	196	196

14 Non-current investments

a) Investments - College

	College 2018 £'000	College 2017 £'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

	2018 £'000	2017 £'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
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	2,024	1,505	1,713	865
Amounts owed by group undertakings:				
Subsidiary undertakings	-	283	-	137
Associate undertakings	-	-	12	12
Prepayments and accrued income	1,342	1,289	950	872
Amounts owed by Welsh Government	2,902	2,902	1,270	1,270
Total	6,268	5,979	3,945	3,156

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 Investments	Group	College	Group	College
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Current asset investments	772	772	-	-
Short term deposits	-	-	3,500	3,500
Total	772	772	3,500	3,500

Current asset investments relate to a property owned by the College. The property is not currently utilised by the College.

Short term 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.

17 Creditors falling due within one year	Group	College	Group	College
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	115	80	277	82
Other loans	18	18	11	11
Obligations under finance leases	4	-	2	-
Capital creditors	502	502	661	661
Trade payables	1,147	1,088	1,594	1,475
Amounts owed to group undertakings:				
Subsidiary undertakings	-	356	-	164
Associate undertakings	-	-	-	-
Corporation tax	3	-	4	-
Other taxation and social security	596	492	552	465
Holiday pay accrual	690	679	667	647
Accruals and deferred income	4,090	4,016	3,920	3,859
Deferred income - government capital grants	504	504	460	460
Deferred income - government revenue grants	451	451	175	175
Total	8,120	8,186	8,323	7,999

18 Creditors falling due after more than one	Group	College	Group	College
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Bank loans	715	715	796	796
Other loans	113	113	70	70
Obligations under finance leases	6	-	9	-
Deferred income - government capital grants	6,546	6,546	6,378	6,378
Total	7,380	7,374	7,253	7,244

(a) Bank loans and overdrafts

	Group	College	Group	College
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
In one year or less	115	80	277	82
Between one and two years	81	81	83	83
Between two and five years	256	256	253	253
In five years or more	378	378	460	460
Total	830	795	1,073	878

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.

Subsequent to the year end the College utilised a bank loan of £2,000,000 from HSBC. The loan incurs interest at base rate plus 1.65%. The loan is repayable in monthly instalments until October 2023 at which point the balance will need to be repaid in full or refinanced.

(b) Other loans

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	18	18	11	11
Between one and two years	18	18	11	11
Between two and five years	55	55	33	33
In five years or more	40	40	26	26
Total	131	131	81	81

Other loans include 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.

It also includes an Invest to Save loan to fund the installation of new heating systems and controls which is backed by the Welsh Government. The initial loan of £60,615 is repayable in eight equal instalments and will be fully repaid in 2026.

(c) Obligations under finance leases

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	4	-	2	-
Between one and two years	3	-	3	-
Between two and five years	3	-	6	-
In five years or more	-	-	-	-
Total	10	-	11	-

19 Financial Instruments

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Financial assets				
Financial assets measured at amortised cost	9,039	8,803	12,911	12,199
Financial liabilities				
Financial liabilities measured at amortised cost	15,500	15,560	15,576	15,243

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

	Enhanced pensions	Group and College		Defined benefit obligations	Total
	£'000	Other £'000	Sub-total £'000	£'000	£'000
At 1 August 2017	1,058	88	1,146	18,840	19,986
Expenditure in the period	(80)	-	(80)	(1,870)	(1,950)
Movement in the period	49	5	54	(440)	(386)
Released in the period	-	-	-	-	-
At 31 July 2018	1,027	93	1,120	16,530	17,650

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 26.

The enhanced pension provision relates to the cost of staff that 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:

	2018	2017
Price inflation	1.3%	1.3%
Discount rate	2.3%	2.3%

21 Cash flows

	At 1 August 2017 £'000	Cash flows £'000	At 31 July 2018 £'000
Cash and cash equivalents	5,754	(3,427)	2,327
Overdrafts	(195)	160	(35)
Total	5,559	(3,267)	2,292

22 Capital and other commitments

	Group and College	
	2018 £'000	2017 £'000
Commitments contracted for at 31 July	486	3,167

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
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Land and buildings				
Not later than one year	187	158	149	120
Later than one year and not later than five years	162	150	71	30
Later than five years	-	-	-	-
	<u>349</u>	<u>308</u>	<u>220</u>	<u>150</u>
Other				
Not later than one year	78	72	66	66
Later than one year and not later than five years	102	72	107	107
Later than five years	-	-	-	-
	<u>180</u>	<u>144</u>	<u>173</u>	<u>173</u>

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	2018	2017
	£000	£000
Teachers' Pension Scheme: contributions paid	1,787	1,680
Local Government Pension Scheme:		
Contributions paid	1,870	1,370
FRS 102 (28) charge	970	1,160
Charge to the Statement of Comprehensive Income	2,840	2,530
Enhanced pension charge to Statement of Comprehensive Income	45	26
Total Pension Cost for Year within staff costs	4,672	4,236

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 £457,000 (2017: £403,000) 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 £1,787,000 (2017: £1,680,000)

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 2018 were £2,410,000 (2017: £1,820,000) of which employer's contributions totalled £1,870,000 (2017: £1,370,000) and employees' contributions totalled £540,000 (2017: £450,000).

In addition, the College has been paying 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%

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP'). The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.6%	3.5%	3.3%
Future pensions increases	2.1%	2.0%	1.8%
Discount rate for scheme liabilities	2.8%	2.6%	2.4%
Inflation assumption (CPI)	2.1%	2.0%	1.8%
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 2018	At 31 July 2017
	Years	Years
<i>Retiring today</i>		
Males	22.9	22.9
Females	24.5	24.4
<i>Retiring in 20 years</i>		
Males	24.6	24.5
Females	26.3	26.2

	Fair Value at 31 July 2018	Fair Value at 31 July 2017
	£'000	£'000
Equity instruments	35,473	31,889
Government bonds	5,100	4,614
Property	2,087	2,019
Cash	1,994	1,154
Corporate bonds	371	370
Other	1,345	1,154
Total fair value of plan assets	46,370	41,200
Actual return on plan assets	3,840	3,480

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

	2018	2017
	£'000	£'000
Fair value of plan assets	46,370	41,200
Present value of plan liabilities	(62,900)	(60,040)
Net pensions (liability)/asset (Note 20)	(16,530)	(18,840)

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

	2018	2017
	£'000	£'000
Amounts included in staff costs		
Current service cost	2,840	2,530
Past service cost	-	-
Total	2,840	2,530

Amounts included in interest and other finance costs

Net interest cost	460	570
	460	570

Amount recognised in Other Comprehensive Income

Return on pension plan assets	2,750	2,580
Experience gains/(losses) arising on defined benefit obligations	990	4,850
Amount recognised in Other Comprehensive Income	3,740	7,430

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

	2018 £'000	2017 £'000
Net defined benefit (liability)/asset in scheme at 1 August	(18,840)	(24,540)
Movement in year:		
Current service cost	(2,840)	(2,530)
Employer contributions	1,870	1,370
Past service cost	-	-
Net interest on the defined (liability)/asset	(460)	(570)
Actuarial gain or loss	3,740	7,430
Net defined benefit (liability)/asset at 31 July	(16,530)	(18,840)

Asset and Liability Reconciliation

	2018 £'000	2017 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	60,040	61,500
Current service cost	2,840	2,530
Interest cost	1,550	1,470
Contributions by Scheme participants	540	450
Experience gains and losses on defined benefit obligations	(990)	(4,850)
Estimated benefits paid	(1,080)	(1,060)
Past Service cost	-	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	62,900	60,040

Changes in fair value of plan assets

Fair value of plan assets at start of period	41,200	36,960
Interest on plan assets	1,090	900
Return on plan assets	2,750	2,580
Employer contributions	1,870	1,370
Contributions by Scheme participants	540	450
Estimated benefits paid	(1,080)	(1,060)
Fair value of plan assets at end of period	46,370	41,200

Track Training Limited has operated a NEST pension scheme for staff since November 2016. Contributions to the scheme by the company are:

- 1% of pensionable pay up to 5 April 2018
- 2% of pensionable pay from 6 April 2018 to 5 April 2019
- 3% of pensionable pay from 6 April 2019 onwards.

Company contributions in the year amounted to £18,000 (2016/17: £11,000). Amounts payable to the pension scheme at the year end amounted to £6,000 (2016/17: £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 £1,989; 4 governors (2017: £1,093; 2 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 (2017: None).

Related party transactions are as follows:

	Income	Expenditure	Income	Expenditure
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
City & County of Swansea	183	117	160	134
Meirion Howells Project Management	-	-	-	7

The College has two Governors who are Councillors representing the City & County of Swansea. 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.

28 Amounts disbursed as agent

Financial Contingency Funds

	2018	2017
	£'000	£'000
Funding body grants – unspent amounts from prior year	2	22
Funding body grants – discretionary learner support	491	491
	<hr/> 493	<hr/> 513
Disbursed to students	(478)	(496)
Administration costs	(15)	(15)
	<hr/> -	<hr/> 2
Balance unspent as at 31 July		

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 Tycloch Campus. The College has been restored the damaged facilities whilst also providing alternative temporary accommodation to continue teaching students.

The impact on the College's results for the year was:

	2018	2017
	£'000	£'000
Insurance proceeds relating to items charged to the Statement of Comprehensive Income	756	3,132
Insurance proceeds relating to replacement of fixed assets	874	720
Insurance proceeds in the year	<hr/> 1,630	<hr/> 3,852

Of the above amount, £992,000 was included within debtors at the year end. The College expects the total cost of the insurance 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.