



Coleg Gŵyr Abertawe  
Gower College Swansea

# **Gower College Swansea**

**Annual Report and Financial Statements  
for the year ended 31 July 2019**

## 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 2018/19:

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

### 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:

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

### Bankers:

HSBC  
1 Alexandra Road  
Gorseinon  
Swansea  
SA4 4NJ

Barclays  
1-3 Windsor Place  
Cardiff  
CF10 3BX

### Solicitors:

Blake Morgan  
Swansea Enterprise Park  
Castle Court  
Swansea  
SA7 9LZ

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## Report of the Governing Body

The members present their report and the audited financial statements for the year ended 31 July 2019.

### 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 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, 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 809 people (expressed as full time equivalents (FTEs)), of whom 558 are in teaching departments. A further 31 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 2018/19 the College has delivered activity that has produced £24.3 million in funding body main recurrent grant funding (2017/18 – £23.3 million). The College had approximately 4,000 full time students and 3,500 part time students. In addition, the College provides training to around 2,500 apprentices through the Welsh Government Work Based Learning (WBL) programmes.

## Student achievements

Students continue to prosper at the College, with successful completion rates of 85%.

## Curriculum developments

During 2018/19 senior management and curriculum managers continued to focus on priority curriculum areas as identified from labour market intelligence, namely:

- Construction
- ICT and Digital Technologies (including digital literacy)
- Energy sector
- Finance and Professional Services
- Life Sciences
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Curriculum Managers have worked with employers and Industry experts in these areas and increasing use has been made of industry boards to guide and direct future curriculum developments.

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The College has a strong reputation for curriculum innovation and change. Over the years it has introduced new courses in many areas of the curriculum in order to better meet student and industry needs. During 2018/19 the College continued to grow its provision in construction and ICT particularly through apprenticeship provision. The College has also continued to strengthen its approach to the development of learners' literacy, numeracy, digital literacy and employability skills through its 'Skills 4 Progression' initiative.

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) through initiatives such as "The Bridge" programme and Level 1 Vocational Studies. These courses provide tasters to keep young people in education and to progress on to vocational programs the following year. There has also been significant growth in ESOL courses to respond to an increased demand.

The College continues to work 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. A new horticulture option was introduced and has proved so popular that a new full time horticulture programme has been introduced for September 2019 as a progression route for these learners. In addition the College commenced its first 'Junior Apprenticeship' programmes in September 2019 which provides a full time college alternative to school for 14 year olds.

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 11 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 although enrolment numbers are not as high as targeted due to the current competitive HE environment with a significant increase in universities making unconditional offers. 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

The last full FE Estyn inspection was in January 2018. The outcome of the inspection is set out below:

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## Overall College Outcomes

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

## Learning Area Outcomes

<b>Learning Area</b>	<b>KQ1 - How good are the outcomes?</b>	<b>KQ 2 - How good is the provision?</b>
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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Throughout 2018/19 the College has continued to work on actions identified as part of its improvement action plan that addresses 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. However this dropped slightly to 85% in 17/18 but this was still at the sector average

	<b>College</b>	<b>Sector Average</b>
2010/11	73%	80%
2011/12	75%	82%
2012/13	83%	84%
2013/14	86%	85%
2014/15	86%	86%
2015/16	86%	86%
2016/17	87%	87%
2017/18	85%	85%

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 success rates for academic provision was in the top quartile but vocational was in the bottom quartile. The current Quality Improvement process focuses on improvement of vocational performance

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## Work Based Learning (WBL) - Wales

### Contract Value

The College provides a broad range of Apprenticeship training opportunities through its Work Based Learning contract, working with over 450 employers and approximately 2,500 apprentices in 2018/19. Gower College Swansea is a lead contractor for the PS4 contract under WBL. In 2018/19 Welsh Government (WG) reduced their pan Wales budget for WBL and used this money to create two new WBL programmes; Degree Apprenticeships funded through HEFCW and Regional Learning Partnership WBL contracts funded through WG. WBL lead providers could bid for the £5,000,000 RSP budget and work in partnership with HE to deliver and access some of the Degree Apprenticeship pot.

In 2018/19 our main WBL was reduced to £6,663,000 in line with other WBL provider reductions. However, we were very successful in bidding for the Regional Skills Partnership (RSP) WBL contracts and were awarded a total of £1,090,000 broken down as £704,000 in Mid & West Wales; £360,000 in South East Wales and £26,000 in North Wales. Both South East and North Wales were areas of important regional growth for key sector areas. This gave a total WBL 2018/19 contract value of approximately £7,753,000. The WBL contract value has continued an upward growth trend across the last 4 years. For 2019/20 WG again reduced providers WBL main contract value to provide additional funds for RSP contract which providers have had to bid for. Our 2019/20 main WBL contract value is approximately £6,340,000. We have bid for an additional £2,800,000 of RSP funds broken down as Strand 1: £892,000 for continuing learners (those who started 2018/19); Strand 2: £848,000 for 2019/20 starts in areas delivered in RSP 2018/19 and Strand 3: £1,070,000 for new starts in additional RSP priorities 2019/20.

### Contract Growth Trend in WBL Wales 2016-2020

Welsh WBL Programme (Apprenticeship)	16/17	17/18	18/19	2019/20
Approximate WBL total contract value	£4m	£7m	£7.8m [£6.7m main + £1.1m RSP]	£6.3m main contract & £10,600 Progress for Success childcare funding confirmed  Bids submitted: £1.7m RSP Strand 1 & 2 bid, contract value £1.1m RSP Strand 3 bid contract value

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## Quality

We have continued to improve quality in our Welsh WBL Contract, as part of our 'Journey to Excellence'.

With our delivery partners (8 college faculties & 4 sub-contractors), the College's WBL dept. continues to implement a comprehensive quality development plan, improving strategy and processes, developing resources and ensuring high quality provision for apprentices and their employers. We have broadened our WBL curriculum offer in response to local and regional skills needs. There have been continued 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 for framework completion rates has confirmed a generally continued improvement trend:

2015/16 - 78%; 2016/17 - 81% and 82% in 2017/18.

2018/19 data year is still open however, we are predicting a small drop to 78%. We have evaluated and identified the causes and revised our processes as a result. The 2019/20 data is already showing an increase to 85% overall at period 3.

This continued development and quality improvement has been recognised during our latest monitoring visits.

During their WBL inspection of February 2016, Estyn they had identified 8 recommendations and in the subsequent monitoring visit of October 2017 had found satisfactory progress against 5 of these but limited progress in 3 areas still. In December 2018, Estyn conducted a further monitoring inspection of WBL provision to review progress against their recommendations. Estyn confirmed WBL quality in the college had improved and we were no longer subject to monitoring visits and would instead have routine lead inspector link visits. Estyn confirmed strong progress against 2 of the recommendations and satisfactory progress against the remaining 5.

In October 2019, WBL had their Estyn Lead Inspector Link visit. Whilst have not received a written report of this the College has received positive verbal feedback on our continued progress.

## English Contract 2018/19

We continue to have a small pilot apprenticeship offer in England. The WBL funding, delivery and quality requirements in England are very different to Wales and there is a transition period in England to a new approach to WBL through apprenticeship standards. This has seen a substantial amount of WBL providers in England who have been inspected by Ofsted since the new regime to be graded as 'insufficient progress'

We had our first Ofsted inspection for a New Provider Monitoring Visit in August 2019. We were graded Insufficient Progress in all 3 areas, which was a disappointing result. We had identified the development needs in most areas in our Self-Assessment Report but actions put in place did not make impact in time for Ofsted. A post Ofsted action plan has been implemented to address the issues identified to ensure swift implementation and impact.

No new apprenticeship starts can be taken on in England until we successfully pass Ofsted's re-monitoring visits which can occur any time between inspection and early December for safeguarding and full inspection between March and Sept 2020.

In October 2019, the College internal auditors inspected our progress against the post Ofsted Action Plan. They found "The College and its Work Based Learning Team have a detailed Prevent Quality Improvement Action Plan to address the issues raised by a recent Ofsted Inspection and is currently making adequate progress. The overall assessment gave substantial assurance that effective governance, risk and control processes are in place".

Our reapplication to the Register of Apprenticeship Training Providers in England was successful, allowing us to continue receiving funding for existing apprenticeships and take on new English apprenticeship starts once we pass the Ofsted re-inspection.

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## Financial Performance

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

	2017/18	2018/19
	£000	£000
<b>"Adjusted EBITDA"</b>	<b>1,918</b>	<b>1,679</b>
Depreciation and amortisation (net of grants)	(2,120)	(2,451)
Impact of insurance relating to the fire	874	152
Exceptional staff costs	(100)	(204)
Net interest payable	(56)	(43)
Loss on disposal of fixed assets	-	-
Taxation	-	-
Minority interest	24	75
<b>Surplus before pension adjustments</b>	<b>540</b>	<b>(792)</b>
Actuarial pension adjustments	2,310	(10,390)
<b>Surplus/(Deficit) for the year</b>	<b>2,850</b>	<b>(11,182)</b>

## *Financial results*

The Group generated a sector "Adjusted EBITDA" of £1,679,000 (2017/18: £1,918,000). The College (like all colleges) has suffered from increases in pension deficits arising primarily due to changes in actuarial assumptions. In addition, the College depreciation charge continues to rise following investment in the College estate. As a result, the College had total comprehensive income of (£11,182,000), (2017/18 - £2,850,000).

For 2018/19, recurrent grant funding for the College was increased by 4.3% resulting in a cash increase of £1,002,000 for direct delivery to students. This increase arose through a combination of cost of living increase (1%), growth funding following strong delivery in previous years and additional funding from Wels Government to fund pay awards in line with the schools sector. 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.

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Further increases in staff costs are expected in the form of increased employer pension contributions to the two pension schemes in which the College participates. The TPS employer contributions will increase from 16.48% to 23.68% in September 2019 and will have an impact on the College around £0.8 million. Welsh Government have identified funding for the period to 31 March 2020 and the FE sector have requested further funding for the remainder of the 2019/20 academic year. The LGPS is currently undertaking its next valuation exercise and any impact on rates will take effect from 1 April 2020.

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 £7,602,000 and cash and short term investment balances of £5,943,000. 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 £2,630,000. This was split between improvement to land and buildings of £993,000 and equipment purchased of £1,637,000. This investment was part financed through Welsh Government grants.

The College also welcomed the allocation from Welsh Government of an estates maintenance grant in the year. An additional £415,000 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 2018/19, Welsh Government provided 54% (2017/18: 53%) 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 training provider based in South Wales, delivering training across the whole of the UK. In the current year, the company has suffered from difficult trading conditions in England (in the Apprenticeship Levy market) which has resulted in a downturn in income. In particular, the decision by the ESFA to limit sub-contractors to £500,000 of activity per year has been challenging. The company has reviewed its operations during the year and has taken actions to realign its cost base with future expected income streams. The company made a loss before tax, interest, redundancy charges and group recharges of £178,000.

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

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

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The College has a separate treasury management policy in place.

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

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

At £4,325,000 (2017/18 £1,060,000), net cash flow from operating activities was strong.

Current borrowing levels are low and estate developments have historically been funded through a mixture of cash reserves, bank borrowing 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 £2,000,000 was drawn down in October 2018. 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 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 27 days (2017/18: 15 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 Gorseinon Campus. This exciting development was completed in October 2018. The £2,100,000 refurbishment has created better and much needed additional social space facilities for our students.

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The College has submitted a number of bids to the 21<sup>st</sup> Century Schools programme for additional funding to develop further excellent facilities for students across all campuses. The College has recently received approval of funding for the development of Sketty Hall Business School.

The College is aware of the increasing demographic for school leavers in Swansea over the next 5 years and will continue to invest in the development of its estate to meet the anticipated increases in enrolments in future years.

## **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 Director of Finance. 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 2018/19, 54% (2017/18: 53%) of the Group's revenue was via the recurrent grant from Welsh Government. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.



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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*

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.

The College does not believe that it is directly exposed to significant impacts arising from Brexit. However, the College will be impacted by any wider impacts on the UK economy. There may also be implications on overall Welsh Government spending which may impact on the FE sector.

### *Payroll Costs*

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

In September 2019, the employer’s contribution rate to the TPS increased from 16.48% to 23.68% an annualised increase of 43% (£800,000 per annum). Welsh Government have indicated they are seeking to fund this increase.

Teachers in Wales have been awarded a cost of living pay award from September 2019 of 2.75%. The College welcomes the Welsh Government recognition of the teaching profession in Wales and its position that FE lecturers in Wales are performing the same role as teachers in schools. At the current time, the cost of living increase reflected in recurrent grant funding allocation for 2019/20 amounts to 1%. The FE sector is lobbying 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. Although asset performance in the year has been strong, past service costs arising from recent court judgements (McCloud and Lloyds GMP) combined with an decrease in AAA bond rates (and hence a lower discount rate leading to higher future liabilities) has resulted in an increase in the LGPS pension deficit to £26.9 million (2018: £16.5 million).

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## 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 2 (prior year: 1). 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 Sustainability Group met several times. The Sustainability Group includes student members and they have played an active part in 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.

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## *Waste*

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

## *Modern Slavery*

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

## **Equal opportunities**

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

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

The College has an established Equality and Diversity Team which includes senior managers and Governors.

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.

# Gower College Swansea

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## External Matters

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

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 a variety of different means.

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 College is a member of the Swansea Learning Partnership which oversees a range of provision including Adult Community Learning in Swansea, as well as approaches to reducing NEETs in Swansea.

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 the top universities in the UK. The move underlines the esteem in which this College is held by some of the UK's most prestigious HEIs. Eleven 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 an active member of the Regional Learning and Skills Partnership and the Principal sits on the Board. The RLSP has been identified, by the Minister for Education and Skills, as a pioneering model for co-operation across provider sectors and geographical regions.

The College has a large work based learning contract which delivers apprenticeships to over 2,500 individuals and 1,000+ companies across Swansea, the South West Wales region and pan Wales in a wide range of curriculum areas each and every year. In 2018 the College was recognised in both the Apprenticeship Awards Cymru and the UK Apprenticeship Awards for the quality of its provision.

## Gower College Swansea

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In 2017 the College launched a suite of European funded employability programmes – called Better Jobs Better Futures from our premises in the City which sought to respond to some of the specific challenges in Swansea in terms of both 'into work' projects (young people, 25+ and at risk of NEET) and 'in work' projects (underemployed and women). To date the programme has helped over 1,500 different individuals.

The College is also 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, NPTC Group and Adult Learning Wales.

Managers within the College contribute to a wide range of partnership activities across the FE sector both in Wales and in England, following the College's invitation to join the Collab group of Colleges. In Wales for example the Principal, as well as being a member of the Principals Forum, chairs the Colleges Wales Finance Directors Group. But in addition there are a large number of projects involving the College and where it partners with either individual colleges or small groups of different sizes.

### 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 12 December 2019 and signed on its behalf by:



**Colin Cornelius**

**Chair of the Corporation**

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2018 to 31 July 2019 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 2019. 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

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## 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	2010/2014/2016	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
Dr D Ashelby	2010/2014/2018	4 years	4/6	C&Q (Chair), F&GP, S&G
Mrs H Bjork	From May 2019	4 years	2/2	
Mr J Britton	2010/2014/2015	4 years	3/6	F&GP (Vice Chair), C&Q
Mrs C Green	2010/2014/2016	4 years	5/6	Audit (Vice-Chair), HROD, LS
Mr A M Day	2012/2016	4 years	5/6	C&Q, HROD (Vice-Chair) S&G
Mr A Donald	2010/2014/2018	4 years	1/6	F&GP (Chair), HROD, Rem
Mr M Howells	2016	4 Years	6/6	F&GP, LS
Cllr Oliver James	2018 (until May 2019)	4 years	0/4	
Mr M Jones (Principal and Chief Executive)	2013	Whilst Principal	6/6	C&Q, LS, F&GP
Mr L Lisauskas*	2019 (from October)	1 year	n/a	
Rev Adrian Morgan	2019 (From June)	4 years	n/a	
Y Muhissan*	2019	1 year	n/a	
Cllr Sam Pritchard	2019 (from May)	1 year	1/2	
Ms F Rees	2010/2014/2017	4 years	6/6	LS (Chair), S&G (Vice Chair), Audit
Mr K Rees	2016	4 years	2/6	Audit, S&G
Cllr Kelly Roberts	2018 (until May 2019)	4 years	0/4	
Miss Yasmin Shipperley	2018	1 year	3/6	C&Q, LS
Judge R Singh	2010/2014/2018	4 years	4/6	Audit (Chair)
Mrs Denise Thomas	2018	4 years	6/6	Audit, C&Q, LS,



# Gower College Swansea

Cllr Des Thomas	2019 (from May)	1 year	2/2	
Daniel Tinsley	2018	1 year	4/6	C&G, LS
Mr G Williams	2010/2014/2017	4 years	6/6	C&Q (Vice Chair)
Mrs S Williams	2016	4 years	6/6	HROD, LS
Mrs P Walters	2019 (from June)	4 years	n/a	

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 2019 to serve the 2019/20 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 once 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.

# Gower College Swansea

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

## **Appointments to the Corporation**

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

## **Chair of Governors**

The role of the Chair of Governors is to chair the Corporation Board meetings. In addition, the Chair is responsible for responding to any matters affecting the College as they arise. However, the Chair has no authority to act other than in support of the decisions taken by the Corporation Board, The Further Education Corporations (Replacement of Instrument and Articles of Government) (Wales) Order 2006, and the Gower College Swansea Further Education Corporation (Government) Regulations 2010 (as amended by the Board)

## **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 2018/19.

## **Human Resources and Organisational Development Committee**

The Committee comprises six Governors and meets to consider, advise and report to the Corporation Board on all matters relating to employee issues. The Committee met on 3 occasions during 2018/19.

# Gower College Swansea

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## **Search and Governance Committee**

The Committee comprises six Governors whose purpose is to advise the Corporation on the appointment of new members of the Corporation and recommend policies and procedures for the induction, appraisal and governance development of the Corporation. The Committee convened on 8 occasions during 2018/19.

## **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 2 occasions during 2018/19, on one of which the meeting was inquorate.

## **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 2018/19.

## **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 once during 2018/19. Details of remuneration for the year ended 31 July 2019 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 Finance and General Purposes Committee are precluded from sitting on the Audit Committee. The Committee convened on 5 occasions during 2018/19.

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.

# Gower College Swansea

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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 Gower College Swansea Further Education Corporation (Government) Regulations 2010 (as amended by the Board) 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 Gower College Swansea Further Education Corporation (Government) Regulations 2010 (as amended by the Board).

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 2019 and up to the date of approval of the annual report and accounts.

# Gower College Swansea

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## *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 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

## *The risk and control framework*

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

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

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

## *Review of effectiveness*

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

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

## Gower College Swansea

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

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 12 December 2019 and signed on its behalf by:



**Colin Cornelius**  
**Chair of the Corporation**



**Mark Jones**  
**Principal and Accounting Officer**

# Gower College Swansea

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## **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 12 December 2019 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 2018 to 2019* 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.



## Gower College Swansea

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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 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 12 December 2019 and signed on its behalf by:

A handwritten signature in black ink, reading "Colin Cornelius", is written over a white 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 2019 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 2019 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.

## **The impact of uncertainties due to Britain exiting the European Union on our audit**

The Board of Governor's view on the impact of Brexit is disclosed on page 17. The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the College's activities, staff, students, suppliers and the wider economy.

We considered the impact of Brexit on the College as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the College's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the College and this is particularly the case in relation to Brexit.

## **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](http://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.
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#### 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

**Richard Bott**

**Mazars LLP**

**Chartered Accountants and Statutory Auditor**

**Address: 90 Victoria Street, Bristol, BS1 6DP**

**Date: 19 December 2019**

# Gower College Swansea

## Consolidated Statements of Comprehensive Income

	Notes	2019	2019	2018	2018
		Group	College	Group	College
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Funding body grants	2	34,230	34,071	32,421	32,249
Tuition fees and education contracts	3	4,595	3,889	4,035	3,399
Other grants and contracts	4	3,242	3,242	3,158	3,158
Other income	5	2,665	2,665	4,309	4,450
Investment income	6	12	12	24	24
Donations and Endowments	7	--	-	-	-
<b>Total income</b>		<b>44,744</b>	<b>43,879</b>	<b>43,947</b>	<b>43,280</b>
<b>EXPENDITURE</b>					
Staff costs	8	32,173	30,887	29,753	28,439
Fundamental restructuring costs	8	204	70	100	100
Other operating expenses	9	11,754	11,838	11,884	12,505
Depreciation and amortisation	12,13	3,015	2,866	2,584	2,509
Interest and other finance costs	10	485	480	540	470
<b>Total expenditure</b>		<b>47,631</b>	<b>46,141</b>	<b>44,861</b>	<b>44,023</b>
<b>(Deficit) before other gains and losses</b>		<b>(2,887)</b>	<b>(2,262)</b>	<b>(914)</b>	<b>(743)</b>
Loss on investments	14	-	(670)	-	-
<b>(Deficit) before tax</b>		<b>(2,887)</b>	<b>(2,932)</b>	<b>(914)</b>	<b>(743)</b>
Taxation	11	-	-	-	-
<b>(Deficit) for the year</b>		<b>(2,887)</b>	<b>(2,932)</b>	<b>(914)</b>	<b>(743)</b>
Actuarial (loss)/gain in respect of pensions schemes	26	(8,370)	(8,370)	3,740	3,740
<b>Total Comprehensive Income for the year before minority interest</b>		<b>(11,257)</b>	<b>(11,302)</b>	<b>2,826</b>	<b>2,997</b>
Minority interest		75	-	24	-
<b>Total Comprehensive Income for the year</b>		<b>(11,182)</b>	<b>(11,302)</b>	<b>2,850</b>	<b>2,997</b>
<b>Restricted comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Unrestricted comprehensive income</b>		<b>(11,182)</b>	<b>(11,302)</b>	<b>2,850</b>	<b>2,997</b>
<b>(11,182)</b>		<b>(11,302)</b>	<b>2,850</b>	<b>2,997</b>	
<b>(Deficit) for the year attributable to:</b>					
Non-controlling interest		75	-	24	-
Group		(2,887)	(2,932)	(914)	(743)
		<b>(2,812)</b>	<b>(2,932)</b>	<b>(890)</b>	<b>(743)</b>
<b>Total Comprehensive Income for the year attributable to:</b>					
Non-controlling interest		75	-	24	-
Group		(11,257)	(11,302)	2,826	2,997
		<b>(11,182)</b>	<b>(11,302)</b>	<b>2,850</b>	<b>2,997</b>

# Gower College Swansea

## Consolidated and College Statement of Changes in Reserves


	Income and expenditure account	Revaluation reserve	Total excluding Non- controlling interest	Non- controlling interest	Total
	£'000	£'000	£'000	£'000	£'000
<b>Group</b>					
<b>Balance at 1<sup>st</sup> August 2017</b>	3,459	12,475	15,934	99	16,033
(Deficit) 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)	-	-	-
<b>Movement in the year</b>	<b>3,087</b>	<b>(237)</b>	<b>2,850</b>	<b>(24)</b>	<b>2,826</b>
<b>Balance at 31<sup>st</sup> July 2018</b>	6,546	12,238	18,784	75	18,859
(Deficit) from the income and expenditure account	(2,812)	-	(2,812)	(75)	(2,887)
Other comprehensive income	(8,370)	-	(8,370)	-	(8,370)
Transfers between revaluation and income and expenditure reserves	237	(237)	-	-	-
<b>Total comprehensive income for the year</b>	<b>(10,945)</b>	<b>(237)</b>	<b>(11,182)</b>	<b>(75)</b>	<b>(11,257)</b>
<b>Balance at 31 July 2019</b>	<b>(4,399)</b>	<b>12,001</b>	<b>7,602</b>	<b>-</b>	<b>7,602</b>
<b>College</b>					
<b>Balance at 1<sup>st</sup> August 2017</b>	3,566	12,475	16,041	-	16,041
(Deficit) 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)	-	-	-
<b>Movement in the year</b>	<b>3,234</b>	<b>(237)</b>	<b>2,997</b>	<b>-</b>	<b>2,997</b>
<b>Balance at 31<sup>st</sup> July 2018</b>	6,800	12,238	19,038	-	19,038
(Deficit) from the income and expenditure account	(2,932)	-	(2,932)	-	(2,932)
Other comprehensive income	(8,370)	-	(8,370)	-	(8,370)
Transfers between revaluation and income and expenditure reserves	237	(237)	-	-	-
<b>Total comprehensive income for the year</b>	<b>(11,065)</b>	<b>(237)</b>	<b>(11,302)</b>	<b>-</b>	<b>(11,302)</b>
<b>Balance at 31 July 2019</b>	<b>(4,265)</b>	<b>12,001</b>	<b>7,736</b>	<b>-</b>	<b>7,736</b>

# Gower College Swansea

## Balance sheets as at 31 July

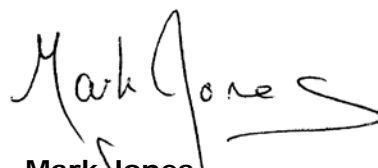
	Notes	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
<b>Non-current assets</b>					
Intangible fixed assets	13	214	214	382	265
Tangible fixed assets	12	41,934	41,886	42,103	42,078
Investments	14	-	-	-	670
Investment properties	14	145	145	145	145
		<b>42,293</b>	<b>42,245</b>	<b>42,630</b>	<b>43,158</b>
<b>Current assets</b>					
Stocks		6	6	12	12
Trade and other receivables	15	4,717	4,485	6,268	5,979
Investments	16	772	772	772	772
Cash and cash equivalents	21	5,943	5,943	2,327	2,327
		<b>11,438</b>	<b>11,206</b>	<b>9,379</b>	<b>9,090</b>
<b>Less: Creditors – amounts falling due within one year</b>	17	(8,936)	(8,529)	(8,120)	(8,186)
<b>Net current assets</b>		<b>2,502</b>	<b>2,677</b>	<b>1,259</b>	<b>904</b>
<b>Total assets less current liabilities</b>					
Creditors – amounts falling due after more than one year	18	(9,125)	(9,118)	(7,380)	(7,374)
<b>Provisions</b>					
Defined benefit obligations	20	(26,920)	(26,920)	(16,530)	(16,530)
Other provisions	20	(1,148)	(1,148)	(1,120)	(1,120)
<b>Total net assets</b>		<b>7,602</b>	<b>7,736</b>	<b>18,859</b>	<b>19,038</b>
<b>Unrestricted Reserves</b>					
Income and expenditure account		(4,399)	(4,265)	6,546	6,800
Revaluation reserve		12,001	12,001	12,238	12,238
<b>Total unrestricted reserves attributable to the Group</b>		<b>7,602</b>	<b>7,736</b>	<b>18,784</b>	<b>19,038</b>
Minority interest		-	-	75	-
<b>Total unrestricted reserves</b>		<b>7,602</b>	<b>7,736</b>	<b>18,859</b>	<b>19,038</b>

The financial statements on pages 38 to 70 were approved and authorised for issue by the Corporation on 12 December 2019 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	2019 £'000	2018 £'000
<b>Cash flow from operating activities</b>			
(Deficit) for the year		(2,887)	(914)
<b>Adjustment for non-cash items</b>			
Depreciation and amortisation		3,015	2,584
Decrease/(increase) in stocks		6	1
Decrease/(increase) in debtors		1,551	(2,345)
Increase/(decrease) in creditors due within one year		515	110
Increase/(decrease) in creditors due after one year		41	168
Increase/(decrease) in provisions		24	(29)
Pensions costs less contributions payable		2,020	1,430
Revaluation of investment properties		-	-
Taxation		-	-
<b>Adjustment for investing or financing activities</b>			
Investment income		(12)	(24)
Interest payable		55	80
Taxation paid		(3)	(1)
Loss on sale of fixed assets		-	-
<b>Net cash flow from operating activities</b>		<b>4,325</b>	<b>1,060</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	-
Investment income		12	46
Withdrawal of deposits		-	3,500
New deposits		-	-
Payments made to acquire fixed assets		(2,750)	(7,757)
		<b>(2,738)</b>	<b>(4,211)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(50)	(82)
Interest element of finance lease rental payments		(1)	(2)
New unsecured loans		-	61
New secured loan		2,000	-
Repayments of amounts borrowed		(181)	(87)
Capital element of finance lease rental payments		(5)	(6)
		<b>1,763</b>	<b>(116)</b>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<b>3,350</b>	<b>(3,267)</b>
Cash and cash equivalents at beginning of the year	21	2,292	5,559
<b>Cash and cash equivalents at end of the year</b>	<b>21</b>	<b>5,642</b>	<b>2,292</b>

## 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 2018 to 2019* 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 2019.

#### 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 £5.9m at 31 July 2019. The cash balances have increased in comparison with the prior year following the draw down £2.0m of bank loans from HSBC as part of the capital investment programme in October 2018. A further £1.4m has been generated from operations and working capital movements. The new loan is secured against the Tycoch Campus. The College has a further £0.8m of bank 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 did not 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 1<sup>st</sup> August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1<sup>st</sup> August 2014.

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

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

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

## **Investments**

### *Investments in subsidiaries*

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

### *Other investments*

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

## **Investment Properties**

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 2019. 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	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
Welsh Government recurrent grant	24,325	24,325	23,323	23,323
Higher Education Funding Council for Wales	66	66	26	26
<b>Specific grants</b>				
Work Based Learning	7,148	6,989	6,983	6,811
Releases of Welsh Government capital grants	523	523	423	423
Other Welsh Government grants	2,168	2,168	1,666	1,666
<b>Total</b>	<b>34,230</b>	<b>34,071</b>	<b>32,421</b>	<b>32,249</b>

3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	1,051	752	720	640
Apprenticeship fees and contracts	455	96	648	92
Fees for FE loan supported courses	427	427	430	430
Fees for HE loan supported courses	1,457	1,457	1,327	1,327
International students fees	796	796	557	557
<b>Total tuition fees</b>	<b>4,186</b>	<b>3,528</b>	<b>3,682</b>	<b>3,046</b>
Education contracts	409	361	353	353
<b>Total</b>	<b>4,595</b>	<b>3,889</b>	<b>4,035</b>	<b>3,399</b>

4 Other grants and contracts	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	141	141	164	164
UK-based charities	-	-	-	-
European Commission	2,656	2,656	2,645	2,645
Other grants and contracts	445	445	349	349
<b>Total</b>	<b>3,242</b>	<b>3,242</b>	<b>3,158</b>	<b>3,158</b>

5 Other income	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Insurance proceeds (see note 29)	218	218	1,630	1,630
Catering and residences	894	894	820	820
Other income generating activities	463	463	539	539
Other grant income	281	281	280	280
Non-government capital grants	41	41	41	41
Miscellaneous income	768	768	999	1,140
<b>Total</b>	<b>2,665</b>	<b>2,665</b>	<b>4,309</b>	<b>4,450</b>

6 Investment income	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	-	-	-	-
Other interest receivable	12	12	24	24
	<b>12</b>	<b>12</b>	<b>24</b>	<b>24</b>
Net return on pension scheme (note 25)	-	-	-	-
<b>Total</b>	<b>12</b>	<b>12</b>	<b>24</b>	<b>24</b>

7 Donations – College only	2019	2018
	£'000	£'000
Unrestricted donations	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## 8 Staff costs – Group and College

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

	2019	2019	2018	2018
	Group	College	Group	College
	No.	No.	No.	No.
<b>Full time equivalents</b>				
Teaching department staff	579	558	552	528
Non-teaching department staff	261	251	257	243
	<b>840</b>	<b>809</b>	<b>809</b>	<b>771</b>
<b>Headcount</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Teaching department staff	780	759	719	695
Non-teaching department staff	282	270	284	268
	<b>1,062</b>	<b>1,029</b>	<b>1,003</b>	<b>963</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Staff costs for the above persons</b>				
Wages and salaries	24,148	23,006	22,937	21,758
Social security costs	2,304	2,182	2,126	2,009
Other pension costs	5,721	5,699	4,690	4,672
<b>Staff costs</b>	<b>32,173</b>	<b>30,887</b>	<b>29,753</b>	<b>28,439</b>
Restructuring costs	204	70	100	100
<b>Total Staff costs</b>	<b>32,377</b>	<b>30,957</b>	<b>29,853</b>	<b>28,539</b>

## Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and are represented by the Strategic Planning Group which comprises the Principal, the Deputy Principal, the Vice Principal Academic Services, the Director of Skills and Business Development, the Director of HR and the Director of Finance. 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

	2019	2018
	No.	No.
The number of key management personnel including the Accounting Officer was:	6	6

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	
	2019 No.	2018 No.	2019 No.	2018 No.
£60,001 to £70,000 p.a.	-	-	7	5
£70,001 to £80,000 p.a.	2	2	-	-
£80,001 to £90,000 p.a.	2	2	1	1
£90,001 to £100,000 p.a.	1	1	-	-
£140,001 to £150,000 p.a.	1	1	-	-
	<b>6</b>	<b>6</b>	<b>8</b>	<b>6</b>

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

Group	Key management personnel		Other staff	
	2019 £000	2018 £000	2019 £000	2018 £000
Salaries	560	512	429	400
Benefits in kind	-	-	-	-
	560	512	429	400
Employer pension contributions	105	95	50	44
	<b>665</b>	<b>607</b>	<b>479</b>	<b>444</b>

The number of other staff above and their associated remuneration includes three (2017/18: two) of the directors of the subsidiary company, Track Training Limited.

Compensation for loss of office payable to higher paid staff within the subsidiary company amounted to £66,000 (2018: College - £85,000).

The employer's national insurance in relation to key management personnel for the year was £70,000 (2018: £66,000).

College	Key management personnel		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£60,001 to £70,000 p.a.	-	-	4	4
£70,001 to £80,000 p.a.	2	2	-	-
£80,001 to £90,000 p.a.	2	2	1	-
£90,001 to £100,000 p.a.	1	1	-	-
£140,001 to £150,000 p.a.	1	1	-	-
	<b>6</b>	<b>6</b>	<b>5</b>	<b>4</b>

# Gower College Swansea

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

College	Key management personnel		Other staff	
	2019 £000	2018 £000	2019 £000	2018 £000
Salaries	560	512	256	247
Benefits in kind	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Employer pension contributions	105	95	45	44
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>665</b>	<b>607</b>	<b>301</b>	<b>291</b>

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 £nil (2018: £85,000).

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

	2019 £'000	2018 £'000
Salaries	144	142
Benefits in kind	-	-
	<hr/>	<hr/>
	144	142
	<hr/>	<hr/>
Pension contributions	24	23
	<hr/>	<hr/>

The members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. The total payments for Governors expenses amounted to £2,361 (2018: £1,989) and related to 4 (2018: 4) Governors.

## 9 Other operating expenses

	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching department costs	4,638	5,138	4,532	5,540
Non-teaching department costs	4,212	3,867	3,834	3,487
Premises costs	2,838	2,767	2,762	2,722
Insurance expenditure (see note 29)	66	66	756	756
<b>Total</b>	<b>11,754</b>	<b>11,838</b>	<b>11,884</b>	<b>12,505</b>

### Other operating expenses include:

	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Auditors' remuneration:				
Financial statements audit	25	20	25	20
Internal audit	12	12	12	12
Other services provided by the financial statements auditor				
- Grant audits	2	2	3	3
- Taxation advice	-	-	1	-
- Compliance reviews	3	3	3	3
Other services provided by the internal auditors	-	-	-	-
Hire of assets – buildings	259	218	202	173
Hire of assets - equipment	73	67	76	70

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

	2019 Group	2019 College	2018 Group	2018 College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:	50	46	75	7
	<u>50</u>	<u>46</u>	<u>75</u>	<u>7</u>
On finance leases	1	-	2	-
Interest payable on early retirements	4	4	3	3
Pension finance costs (note 25)	430	430	460	460
<b>Total</b>	<b><u>485</u></b>	<b><u>480</u></b>	<b><u>540</u></b>	<b><u>470</u></b>

## 11 Taxation – Group only

	2019 £'000	2018 £'000
United Kingdom corporation tax	-	-
Provision for deferred corporation tax	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u><u>-</u></u></b>	<b><u><u>-</u></u></b>

12

## Tangible fixed assets (Group)

	Land and buildings		Equipment	Motor vehicles	Total
	Freehold	Long leasehold			
	£'000	£'000			
<b>Cost or valuation</b>					
At 1 August 2018	54,558	-	10,746	342	65,646
Additions	993	-	1,614	23	2,630
Disposals	-	-	(466)	-	(466)
<b>At 31 July 2019</b>	<b>55,551</b>	<b>-</b>	<b>11,894</b>	<b>365</b>	<b>67,810</b>
<b>Depreciation</b>					
At 1 August 2018	15,548	-	7,760	235	23,543
Charge for the year	1,399	-	1,355	45	2,799
Elimination in respect of disposals	-	-	(466)	-	(466)
<b>At 31 July 2019</b>	<b>16,947</b>	<b>-</b>	<b>8,649</b>	<b>280</b>	<b>25,876</b>
<b>Net book value at 31 July 2019</b>	<b>38,604</b>	<b>-</b>	<b>3,245</b>	<b>85</b>	<b>41,934</b>
Net book value at 31 July 2018	39,010	-	2,986	107	42,103

## Tangible fixed assets (College only)

	Land and buildings		Equipment	Motor vehicles	Total
	Freehold	Long leasehold			
	£'000	£'000			
<b>Cost or valuation</b>					
At 1 August 2018	54,558	-	10,550	342	65,450
Additions	993	-	1,559	23	2,575
Disposals	-	-	(466)	-	(466)
<b>At 31 July 2019</b>	<b>55,551</b>	<b>-</b>	<b>11,643</b>	<b>365</b>	<b>67,559</b>
<b>Depreciation</b>					
At 1 August 2018	15,548	-	7,589	235	23,372
Charge for the year	1,399	-	1,323	45	2,767
Elimination in respect of disposals	-	-	(466)	-	(466)
<b>At 31 July 2019</b>	<b>16,947</b>	<b>-</b>	<b>8,446</b>	<b>280</b>	<b>25,673</b>
<b>Net book value at 31 July 2019</b>	<b>38,604</b>	<b>-</b>	<b>3,197</b>	<b>85</b>	<b>41,886</b>
Net book value at 31 July 2018	39,010	-	2,961	107	42,078



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 £102,000 (2018: £1,338,000) relating to assets in the course of construction.

Included within the net book value of tangible fixed assets (Group only) is £12,000 (2018: £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 (2018: £6,000).

## 13 Intangible assets

Group	Goodwill	Software and Licences	Total
	£'000	£'000	£'000
<b>Cost or valuation</b>			
At 1 August 2018	283	414	697
Additions	-	48	48
Disposals	-	-	-
<b>At 31 July 2019</b>	<b>283</b>	<b>462</b>	<b>745</b>
<b>Depreciation</b>			
At 1 August 2018	166	149	315
Charge for the year	117	99	216
Elimination in respect of disposals	-	-	-
<b>At 31 July 2019</b>	<b>283</b>	<b>248</b>	<b>531</b>
<b>Net book value at 31 July 2019</b>	<b>-</b>	<b>214</b>	<b>214</b>
Net book value at 31 July 2018	117	265	382

College	Software and Licences	Total
	£'000	£'000
<b>Cost or valuation</b>		
At 1 August 2018	414	414
Additions	48	48
Disposals	-	-
<b>At 31 July 2019</b>	<b>462</b>	<b>462</b>
<b>Depreciation</b>		
At 1 August 2018	149	149
Charge for the year	99	99
Elimination in respect of disposals	-	-
<b>At 31 July 2019</b>	<b>248</b>	<b>248</b>
<b>Net book value at 31 July 2019</b>	<b>214</b>	<b>214</b>
Net book value at 31 July 2018	265	265

## 14 Non-current investments

### a) Investments - College

	<b>College</b>	<b>College</b>
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Investments in subsidiary companies	-	670

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

### 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 were directors of Centre 4 Entrepreneurial Education CIC, a Community Interest Company limited by Guarantee. The company ceased trading during the year.

### b) Investment Properties – Group and College

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
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
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	921	735	2,024	1,505
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	-	283
Associate undertakings	-	-	-	-
Prepayments and accrued income	447	401	1,342	1,289
Amounts owed by Welsh Government	3,349	3,349	2,902	2,902
<b>Total</b>	<b>4,717</b>	<b>4,485</b>	<b>6,268</b>	<b>5,979</b>

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

16 Investments	Group	College	Group	College
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Current asset investments	772	772	772	772
Short term deposits	-	-	-	-
<b>Total</b>	<b>772</b>	<b>772</b>	<b>772</b>	<b>772</b>

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
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	497	196	115	80
Other loans	18	18	18	18
Obligations under finance leases	5	-	4	-
Capital creditors	423	423	502	502
Trade payables	1,418	1,360	1,147	1,088
Amounts owed to group undertakings:				
Subsidiary undertakings	-	137	-	356
Associate undertakings	-	-	-	-
Corporation tax	-	-	3	-
Other taxation and social security	567	528	596	492
Holiday pay accrual	716	701	690	679
Accruals and deferred income	3,623	3,497	4,090	4,016
Deferred income - government capital grants	619	619	504	504
Deferred income - government revenue grants	1,050	1,050	451	451
<b>Total</b>	<b>8,936</b>	<b>8,529</b>	<b>8,120</b>	<b>8,186</b>

18 Creditors falling due after more than one	Group	College	Group	College
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Bank loans	2,437	2,437	715	715
Other loans	94	94	113	113
Obligations under finance leases	7	-	6	-
Deferred income - government capital grants	6,587	6,587	6,546	6,546
<b>Total</b>	<b>9,125</b>	<b>9,118</b>	<b>7,380</b>	<b>7,374</b>

**(a) Bank loans and overdrafts**

	Group	College	Group	College
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
In one year or less	497	196	115	80
Between one and two years	200	200	81	81
Between two and five years	1,950	1,950	256	256
In five years or more	287	287	378	378
<b>Total</b>	<b>2,934</b>	<b>2,633</b>	<b>830</b>	<b>795</b>

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.

In October 2018, 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. The loan is secured against the Tycoch Campus.

## (b) Other loans

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
In one year or less	18	18	18	18
Between one and two years	18	18	18	18
Between two and five years	55	55	55	55
In five years or more	21	21	40	40
<b>Total</b>	<b>112</b>	<b>112</b>	<b>131</b>	<b>131</b>

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 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
In one year or less	5	-	4	-
Between one and two years	4	-	3	-
Between two and five years	3	-	3	-
In five years or more	-	-	-	-
<b>Total</b>	<b>12</b>	<b>-</b>	<b>10</b>	<b>-</b>

## 19 Financial Instruments

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
<b>Financial assets</b>				
Financial assets measured at amortised cost	10,985	10,816	9,039	8,803
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	18,061	17,647	15,500	15,560

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

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

## 20 Provisions

	Group and College				Total
	Enhanced pensions	Other	Sub-total	Defined benefit obligations	
	£'000	£'000	£'000	£'000	£'000
At 1 August 2018	1,027	93	1,120	16,530	17,650
Expenditure in the period	(81)	-	(81)	(2,110)	(2,191)
Movement in the period	104	5	109	12,500	12,609
Released in the period	-	-	-	-	-
<b>At 31 July 2019</b>	<b>1,050</b>	<b>98</b>	<b>1,148</b>	<b>26,920</b>	<b>28,068</b>

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

	2019	2018
Price inflation	2.2%	1.3%
Discount rate	2.0%	2.3%

## 21 Cash flows

	At 1 August 2018	Cash flows	At 31 July 2019
	£'000	£'000	£'000
Cash and cash equivalents	2,327	3,616	5,943
Overdrafts	(35)	(266)	(301)
<b>Total</b>	<b>2,292</b>	<b>3,350</b>	<b>5,642</b>

## 22 Capital and other commitments

	Group and College	
	2019	2018
	£'000	£'000
Commitments contracted for at 31 July	66	486

## 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
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
<b>Land and buildings</b>				
Not later than one year	290	273	187	158
Later than one year and not later than five years	259	259	162	150
Later than five years	-	-	-	-
	549	532	349	308
<b>Other</b>				
Not later than one year	84	78	78	72
Later than one year and not later than five years	110	86	102	72
Later than five years	-	-	-	-
	194	164	180	144

## 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.

<b>Total pension cost for the year - College</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Teachers' Pension Scheme: contributions paid	1,895	1,787
Local Government Pension Scheme:		
Contributions paid	2,110	1,870
FRS 102 (28) charge	1,590	970
Charge to the Statement of Comprehensive Income	3,700	2,840
Enhanced pension charge to Statement of Comprehensive Income	104	45
<b>Total Pension Cost for Year within staff costs</b>	<b>5,699</b>	<b>4,672</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2016. Contributions amounting to £494,000 (2018: £457,000) were payable to the schemes at 31<sup>st</sup> July and are included within creditors.

### Teachers' Pension Scheme

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year in England and Welsh Government are expected to follow suit.

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>**

The pension costs paid to TPS in the year amounted to £1,895,000 (2018: £1,787,000).

## **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 2019 were £2,700,000 (2018: £2,410,000) of which employer's contributions totalled £2,110,000 (2018: £1,870,000) and employees' contributions totalled £590,000 (2018: £540,000).

The agreed contribution rates to 31 March 2020 were 21.8% for employers and range from 5.5% to 12.5% for employees, depending on salary.

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 impact of this judgement and also of the McCloud judgement has been taken into account when calculating the liability arising in the LGPS.

### **Principal Actuarial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

	<b>At 31 July 2019</b>	<b>At 31 July 2018</b>	<b>At 31 July 2017</b>
Rate of increase in salaries	3.7%	3.6%	3.5%
Future pensions increases	2.2%	2.1%	2.0%
Discount rate for scheme liabilities	2.2%	2.8%	2.6%
Inflation assumption (CPI)	2.2%	2.1%	2.0%
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:

	<b>At 31 July 2019</b>	<b>At 31 July 2018</b>
	Years	Years
<i>Retiring today</i>		
Males	23.0	22.9
Females	24.6	24.5
<i>Retiring in 20 years</i>		
Males	24.7	24.6
Females	26.4	26.3

	Fair Value at 31 July 2019	Fair Value at 31 July 2018
	£'000	£'000
Equity instruments	39,575	35,473
Government bonds	5,420	5,100
Property	2,250	2,087
Cash	1,636	1,994
Corporate bonds	409	371
Other	1,840	1,345
<b>Total fair value of plan assets</b>	<b>51,130</b>	<b>46,370</b>
<b>Actual return on plan assets</b>	<b>3,140</b>	<b>3,840</b>

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

	2019	2018
	£'000	£'000
Fair value of plan assets	51,130	46,370
Present value of plan liabilities	(78,050)	(62,900)
<b>Net pensions (liability)/asset (Note 20)</b>	<b>(26,920)</b>	<b>(16,530)</b>

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

	2019	2018
	£'000	£'000
<b>Amounts included in staff costs</b>		
Current service cost	2,470	2,840
Past service cost	1,230	-
<b>Total</b>	<b>3,700</b>	<b>2,840</b>

**Amounts included in interest and other finance costs**

Net interest cost	430	460
	<b>430</b>	<b>460</b>

**Amount recognised in Other Comprehensive Income**

Return on pension plan assets	1,820	2,750
Experience gains/(losses) arising on defined benefit obligations	(10,190)	990
<b>Amount recognised in Other Comprehensive Income</b>	<b>(8,370)</b>	<b>3,740</b>

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit (liability)/asset in scheme at 1 August	(16,530)	(18,840)
Movement in year:		
Current service cost	(2,470)	(2,840)
Employer contributions	2,110	1,870
Past service cost	(1,230)	-
Net interest on the defined (liability)/asset	(430)	(460)
Actuarial gain or loss	(8,370)	3,740
<b>Net defined benefit (liability)/asset at 31 July</b>	<b>(26,920)</b>	<b>(16,530)</b>

## Asset and Liability Reconciliation

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	62,900	60,040
Current service cost	2,470	2,840
Interest cost	1,750	1,550
Contributions by Scheme participants	590	540
Experience gains and losses on defined benefit obligations	10,190	(990)
Estimated benefits paid	(1,080)	(1,080)
Past Service cost	1,230	-
Curtailments and settlements	-	-
<b>Defined benefit obligations at end of period</b>	<b>78,050</b>	<b>62,900</b>

## Changes in fair value of plan assets

<b>Fair value of plan assets at start of period</b>	46,370	41,200
Interest on plan assets	1,320	1,090
Return on plan assets	1,820	2,750
Employer contributions	2,110	1,870
Contributions by Scheme participants	590	540
Estimated benefits paid	(1,080)	(1,080)
<b>Fair value of plan assets at end of period</b>	<b>51,130</b>	<b>46,370</b>

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 £22,000 (2017/18: £18,000). Amounts payable to the pension scheme at the year end amounted to £9,000 (2017/18: £6,000).

## 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 £2,361; 4 governors (2018: £1,989; 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and other events in their official capacity.

No Governor (other than the Principal or staff governors) has received any remuneration or waived payments from the College or its subsidiaries during the year (2018: None).

Related party transactions are as follows:

	<b>Income</b>	<b>Expenditure</b>	<b>Income</b>	<b>Expenditure</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
City & County of Swansea	280	89	183	117

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.

## 28 Amounts disbursed as agent

### Financial Contingency Funds

	2019	2018
	£'000	£'000
Funding body grants – unspent amounts from prior year	-	2
Funding body grants – discretionary learner support	491	491
	<hr/> 491	<hr/> 493
Disbursed to students	(476)	(478)
Administration costs	(15)	(15)
	<hr/> -	<hr/> -
Balance unspent as at 31 July	<hr/> -	<hr/> -

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

## 29 Significant Events

In October 2016 a fire caused significant damage to the main teaching block at the College's Tycoch Campus. 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:

	2019	2018
	£'000	£'000
Insurance proceeds relating to items charged to the Statement of Comprehensive Income	66	756
Insurance proceeds relating to replacement of fixed assets	152	874
Insurance proceeds in the year	<hr/> 218	<hr/> 1,630

The insurance claim was settled in July 2019 at £5.7 million.