



Coleg Gŵyr Abertawe
Gower College Swansea

Gower College Swansea

Annual Report and Financial Statements
for the year ended 31 July 2020

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 2019/20:

Mark Jones, Principal and CEO; Accounting officer
Nick Brazil, Deputy Principal
Kay Morgan, Vice Principal Academic Services (retired April 2020)
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 27-28 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 2020.

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”

The College has 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 27 - 28.

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

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

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

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

Background

Gower College Swansea operates across the city of Swansea on a number of sites: Gorseinon Campus, Tycoch Campus, Hill House Campus, Llwyn y Bryn Campus, Sketty Hall, 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. 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 currently preparing its Strategic Plan for the period 2020 – 2024 for approval by the Corporation Board in early 2021. Following approval the Strategic Plan will be available on the College's website.

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 823 people (expressed as full time equivalents (FTEs)), of whom 569 are in teaching departments. A further 26 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 2019/20 the College has delivered activity that has produced £25.5 million in funding body main recurrent grant funding (2018/19 – £24.3 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.

Curriculum developments

During 2019/20 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

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.

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 2019/20 the College continued to grow its provision in construction and ICT particularly through apprenticeship provision.

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During 2019/20 the College, in partnership with Swansea University, launched a successful Degree Apprenticeship programme in Computer Science. The College continues to work with a number of other Higher Education Institutions and in partnership is planning to deliver a Degree Apprenticeship programme in Engineering in September 2021.

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 is also leading the sector in the development of a full time course in eSports. The course successfully recruited a full cohort in the recent September 2020 intake.

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 "Advance to FE" 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 number of universities reducing their entrance offers for students who may otherwise have chosen to study their higher education at the College. It is part of the College strategy to continue to develop these level 4 and

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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:

Overall College Outcomes

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

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Learning Area Outcomes

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

Throughout 2019/20 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.

	College	Sector Average
2010/11	73%	80%
2011/12	75%	82%
2012/13	83%	84%
2013/14	86%	85%
2014/15	86%	86%
2015/16	86%	86%
2016/17	87%	87%
2017/18	85%	85%
2018/19	86%	

This improvement has been achieved through a combination of attention to data accuracy and timely certification claims plus a focus on underperforming courses achieved through the implementation of a Quality Improvement Process with scrutiny on underperforming courses by a Quality Improvement Panel.

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From 2018 the Welsh Government has changed the way it reports college data. There are no longer benchmarks and rankings for overall success rates. Outcomes are now judged against Consistent Performance Measures, which include school sixth forms alongside colleges. Outcomes are reported by type of qualification:

General Education Programmes - A Level Success Rates (2 Year Measure)

The main measure for A level success is based on outcomes over two years and evaluates success by individual learners rather than subjects. Success is quantified as the percentage of learners on an A level programme after 8 weeks of the AS year, who then complete the programme with at least three A levels.

A Level Consistent Measures (2-Year)						
Measure		18/19	NC (17/18)	Diff	17/18	2-Year Trend
3 A* -E A Levels	16	61%	65%	-4%	58%	3%
	17+	47%	58%	-11%	46%	1%
	All	58%	62%	-4%	56%	2%
3 A* -C A Levels	16	43%	46%	-3%	43%	0%
	17+	23%	26%	-3%	26%	-3%
	All	39%	40%	-1%	41%	-2%
3 A* -A A Levels	16	13%	9%	4%	9%	4%
	17+	3%	8%	-5%	4%	-1%
	All	11%	9%	2%	9%	2%

The results for 2019/20 are still unverified but show an improvement which is partly due to the introduction of Centre Assessed Grades (CAGs) in Summer 2020.

The wider introduction of the Welsh Baccalaureate for A Level students is also expected to further improve the success rate in future years.

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Vocational Programmes - Outcomes by Level

Success on vocational programmes continues to be measured over one year. Success is quantified as the percentage of learners on the programme after 8 weeks who achieve the qualification at the end of the year.

This table shows success rates by level of qualification. The outcomes are also shown by age group and are measured against the Welsh national comparator.

Vocational Consistent Measures - Success Rate									
Level	Learners	% Provision	Age	18/19	NC	Diff		17/18	2-Year Trend
Entry/Pre-entry Level			16	89%	83%	6%		93%	-4%
			17+	71%	77%	-6%		80%	-9%
	271	11%	All	73%	80%	-7%		84%	-11%
Level 1			16	83%	84%	-1%		80%	3%
			17+	74%	78%	-4%		73%	1%
	402	15%	All	79%	81%	-2%		77%	2%
Level 2			16	82%	79%	3%		76%	6%
			17+	80%	78%	2%		75%	5%
	495	19%	All	80%	78%	2%		75%	5%
Access			16						
			17+	74%	76%	-2%		81%	-7%
	218	8%	All	74%	76%	-2%		81%	-7%
Level 3			16	83%	84%	-1%		81%	2%
			17+	82%	81%	1%		80%	2%
	1228	47%	All	82%	81%	1%		80%	2%

Improving the success rate for vocational programmes is a focus for the College and has improved to 82% (from 80%) compared with the prior year.

The results for 2019/20 are still unverified but show an improvement which is partly due to the introduction of Centre Assessed Grades (CAGs) in Summer 2020.

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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. Gower College Swansea is a lead contractor for the PS4 contract under WBL.

During the year, the College has worked closely with Higher Education providers to develop Degree Apprenticeship programmes. A new programme commenced with Swansea University during the year in Technology and a further programme is planned to commence in Engineering with Cardiff University in Autumn 2021.

In 2019/20, the College had WBL contracts with a value of £7.5 million. The restrictions placed on WBL due to the pandemic meant that the providers had reduced activity with employers and lower starts during the latter half of the year. This resulted in overall activity amounting £7.0 million.

However, the introduction of our e-tracking platform over the past 2 years provided opportunities to maintain contact with apprentices throughout lockdown and the College has continued to provide training throughout the period.

Quality

With our delivery partners (8 college faculties & 4 sub-contractors), the College's WBL department 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 generally been improvements in quality and performance and the College allocates more apprenticeship funding to the better performing areas and has reduced apprenticeship starts in poorer performing areas until further improvements are shown.

	Framework completion rate
2015/16	78%
2016/17	81%
2017/18	82%
2018/19	78%
2019/20	72%

The framework completion rate has been adversely affected by Covid-19. Many apprentices have been unable to complete their frameworks within the expected timescales and have had their apprenticeship programmes extended in to the 2020/21 academic year.

English Contract 2019/20

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.

As a result, there were no new apprenticeship starts taken on in England until we successfully passed Ofsted's re-monitoring visit. The re-monitoring visit occurred in October 2020 and the College was recorded as making substantial progress against all three recommendations.

The College is now in a position to enrol new apprenticeship starts.

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:

	2018/19	2019/20
	£000	£000
"Adjusted EBITDA"	1,679	3,190
Depreciation and amortisation (net of grants)	(2,451)	(2,200)
Impact of insurance relating to the fire	152	-
Exceptional staff costs	(204)	(765)
Net interest payable	(43)	(46)
Loss on disposal of fixed assets	-	-
Taxation	-	1
Minority interest	75	-
Surplus before pension adjustments	(792)	180
Actuarial pension adjustments	(10,390)	(20,670)
Surplus/(Deficit) for the year	(11,182)	(20,490)

Financial results

The Group generated a sector "Adjusted EBITDA" of £3,190,000 (2018/19: £1,679,000). 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 (£20,490,000), (2018/19 – (£11,182,000)).

For 2019/20, recurrent grant funding for the College was increased by 5.2% (due to the consolidation of funding for pay and pension increases) resulting in a cash increase of £1,268,000 for direct delivery to students. This increase arose through a combination of growth funding following strong delivery in previous years and additional funding from Welsh Government to fund pay awards and TPS employer pension contribution increases 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 and continues to match the Living Wage rate which increases each November.

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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 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 a 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 £47.6 million (2019: £26.9 million).

This has had a significant impact on the balance sheet of the Group and College which is in a net liability position at 31 July 2020 of £13 million.

This net liability position arises from long term liabilities and it should be noted that the College does have at 31 July 2020:

- Net current assets of £4.5 million
- Cash balances of £6.2 million

In addition, The Group continues to generate cash surpluses annually for investment in the infrastructure of the College. Therefore the College has sufficient resources to meet its obligations as they fall due and it remains appropriate to prepare the financial statements on a going concern basis.

Tangible fixed asset additions during the year amounted to £2,324,000. This was split between improvement to land and buildings of £857,000 and equipment purchased of £1,467,000. 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 £795,000 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 2019/20, Welsh Government provided 55% (2018/19: 54%) of the Group's total income through the recurrent grant. It is a key College target within the strategic plan to further reduce the level of reliance on recurrent grant income from Welsh Government.

The College subsidiary, Track Training Limited ("Track"), is a 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

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income streams. The company made a profit before tax, interest, redundancy charges and group recharges of £79,000.

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.

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 £3,183,000 (2018/19 £4,325,000), 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.

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 3% which was in line with 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 17 days (2018/19: 27 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.

The College has submitted a number of bids to the 21st Century Schools programme for additional funding from Welsh Government to develop further excellent facilities for students across all campuses. During the year, the College received approval of funding for the development of Sketty Hall Business School.

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This £2.25 million development has progressed during the year and will be completed in Spring 2021.

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.

Covid-19

The Covid-19 pandemic has had a significant impact on the education sector during 2019/20 and this has continued in to 2020/21.

In line with government requirements, the College was closed for onsite teaching from 23 March 2020 and adopted an online learning approach until June 2020. The College then re-opened for a specific number of learners to allow them to finish their courses where they couldn't be awarded Centre Assessed Grades (CAGs). This was primarily in skills based vocational provision.

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The College continued to develop its delivery plans over the summer and was able to fully reopen for students in September 2020. The College has in place a Covid resilience plan which will allow it to switch between classroom delivery, remote delivery and blended learning as WG guidelines allow. The recent Welsh “firebreak” allowed for further successful remote delivery to students.

However, a prolonged shutdown would have a significant impact on the College and its associated operations. Areas affected would include:

- Apprentices on Work Based Learning provision
- Take up of part time courses
- Future recruitment of Higher Education students
- Future recruitment of International students

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training through remote delivery.
- The establishment of an internal structure to maximise where possible the options available under Covid-19 at both a strategic level and operational level
- Regular dialogue with funding bodies.

Welsh Government recurrent grant

The College has considerable reliance on continued government funding through the Welsh Government (WG). In 2019/20, 55% (2018/19: 54%) of the Group’s revenue was via the recurrent grant from Welsh Government. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

This risk is mitigated in a number of ways:

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

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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 is also working with Welsh Government to access successor funding – The Shared Prosperity Fund. However, this funding is currently being retained by UK Government which may make accessing funding more difficult.

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 due to Covid-19 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). This increase in payroll costs was met by Welsh Government through an increase in the recurrent grant.

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. This increase was also funded via an increase in the recurrent grant.

Teachers in Wales have been awarded a further differentiated increase from September 2020. At the current time, the cost of living increase reflected in recurrent grant funding allocation for 2020/21 does not provide for any inflationary increase. The FE sector is lobbying Welsh Government to provide

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

Further, educational institutions are ever more reliant on this infrastructure for the delivery of education. This has been highlighted during the current pandemic where all full time learners have received some form of delivery via online remote delivery.

To meet this continued challenge and provide further resilience the College will continue to invest in its "Digital Vision" as part of its updated IT Strategy.

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 £47.6 million (2019: £26.9 million).

This has had a significant impact on the balance sheet of the Group and College which is in a net liability position at 31 July 2020 of £13 million.

Health, Safety and the Environment

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

The number of RIDDORS (reportable accidents) in this year was 2 (prior year: 2). 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.

Energy

The College utilised Welsh Government maintenance grants during the year to focus on reducing energy consumption through the introduction of LED lighting, improved heating controls and upgrading entranceways to improve heat retention in the buildings.

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 three years. The majority of College waste that is not recyclable goes to incineration with the resultant outputs being recycled.

Gower College Swansea

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, containing its Gender Pay Gap figures 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 Student Representatives.

This year we have been consulting widely with staff, students and stakeholders to review our Strategic Equality Objectives and these will help us focus on our Equality work going forward to 2024. The Equality and Diversity Team produced a short video to help staff and students understand these objectives and the impact it is hoped they will achieve.

Key events this year included rainbow week, mental health awareness and men's health with participation from students and staff on all the campuses and the College has signed up to become a Stonewall champion employer and a Disability Confident Employer.

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

Gower College Swansea

with strategic partners, inspectors and other external bodies that require his attendance on behalf of the College. He consults regularly with the Principal.

External Matters

The College enjoys a strong reputation locally as well as nationally, and more recently internationally.

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 in previous years has contributed to stakeholder consultations on the way forward for post-16 provision in the area, although there are no current plans to look at this again. The College is a member of the Swansea Skills Partnership which oversees a range of provision including Adult Community Learning in Swansea, as well as tackling the ongoing challenge of reducing NEETs in Swansea.

Gower College Swansea is 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.

College students and staff are active participants in Wales Skills competitions with 23 students achieving medals of which 15 were gold across 10 different vocational areas. Seven college took part in the UK skills finals in Birmingham achieving 2 gold medals, 1 silver medal and 1 highly recommended – and the College has not only been represented in the UK squad for the most recent European finals (Budapest) and World finals (Kazan) but has another student, Rhys Watts in the UK squad for the next European finals to be held in Graz, Austria.

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.

The College runs a suite of European funded employability programmes – called Better Jobs Better Futures from our premises in the City which responds 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 of Colleges 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, with the College being an active member of 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.

The College continues to invest in its estate and following a £2.25m refurbishment programme, achieved with the support of Welsh Government will, in late 2020 be reopening its beautiful Georgian mansion Sketty Hall as the College’s new Sketty Hall Business School.

In what has been one of the most challenging years for further education since incorporation, I would also like to extend my thanks and appreciation to staff, students and fellow Governors for their commitment and contribution during the year. The transition between face to face teaching, blended learning and remote delivery during the year and the start of the 2020/21 academic year could not have happened without the commitment of both staff and students.

Finally, thanks must also go to the retiring Governors, and in particular the retiring Chair, Colin Cornelius, for his leadership of the Corporation Board over the last ten years since the merger of the two Colleges in 2010. The College is in a strong position to face the challenges of the future.

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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 10 December 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Meirion Howells', is centered on a light gray rectangular background.

Meirion Howells

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 2019 to 31 July 2020 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 2020. 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.

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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 M Howells	2016	4 Years	8/8	Chairman : Corporation (from August 2020) F&GP, LS, Cap
Mr C Cornelius	2010/2014/2016 (until July 2020)	4 years	8/8	Chairman : Corporation (until July 2020) S&G (Chair), Rem (Chair), F&GP, HROD, Cap
Mrs P Walters	2019	4 years	7/8	Vice Chair : Corporation Board (from March 2020); A, C&Q
Mrs C Patel	2010/2014/2018 (until February 2020)	4 years	2/3	Vice Chair : Corporation Board (until February 2020) HROD (Chair), F&GP, Rem, S&G
Dr D Ashelby	2010/2014/2018	4 years	8/8	C&Q (Chair), F&GP, S&G, Cap
Mrs H Bjork (Staff)	From May 2019	4 years	8/8	C&Q, LS
Mrs C Green	2010/2014/2016	4 years	7/8	Audit (Vice-Chair), HROD, LS
Mr A M Day	2012/2016	4 years	8/8	C&Q, HROD (Vice-Chair) S&G
Mr A Donald	2010/2014/2018	4 years	2/8	F&GP (Chair), HROD, Rem
Mr M Jones (Principal and Chief Executive)	2013	Whilst Principal	8/8	C&Q, LS, F&GP
Mr L Lisauskas*	2019/2020	1 year	8/8	C&Q,LS,S&G
Rev Dr A Morgan	2019	4 years	6/8	A, LS, Cap
Mr Y Muhissan*	2019	1 year	5/8	C&Q,LS
Cllr S Pritchard	2019/2020 (May)	4 years	6/8	
Judge R Singh	2010/2014/2018	4 years	7/8	Audit (Chair)
Mrs D Thomas (Staff)	2018	4 years	8/8	Audit, C&Q, LS,
Cllr Des Thomas	2019 (from May)	1 year	3/8	S&G
Mr G Williams	2010/2014/2017	4 years	8/8	C&Q (Vice Chair)
Mrs S Williams	2016/2020	4 years	6/8	HROD, LS

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During the year, Mr J Britton served as a co-opted member of the Capital Projects Sub-committee.

In September 2020, Dr J Rance, Professor C Thomas and Dr S Weir were appointed as Governors.

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 as Student Governors	Cap	Capital Projects Sub-committee (of F&GP Committee)

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, environmental issues, and personnel related matters such as health and safety, and equality and diversity. 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.

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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 2019/20. This Committee was renamed the Finance Committee subsequent to the year end

Capital Projects Sub-committee

In recognition of the potential estates developments planned over the next five years, the Governors formed a Capital Projects Sub-committee to report to the

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Finance and General Purposes Committee during the year. The Sub-committee met on 5 occasions during the year. Subsequent to the year end, the committee was established as a full committee to the Corporation Board.

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 2019/20.

Search and Governance Committee

The Committee comprises six Governors whose purpose is to advise the Corporation on the appointment of new members of the Corporation and recommend policies and procedures for the induction, appraisal and governance development of the Corporation. The Committee convened on 4 occasions during 2019/20.

Curriculum and Quality Committee

The Committee comprises eight Governors whose purpose is to advise the Corporation Board on the determination of the educational character and mission of the College and to receive and consider internal and external reports on quality assessments following inspections into curriculum areas within the College. The Committee met on 3 occasions during 2019/20.

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 2019/20.

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 2019/20. Details of remuneration for the year ended 31 July 2020 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 4 occasions during 2019/20.

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.

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

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

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

Minutes of Meetings

Minutes are retained of all Corporation Board and Committee meetings. The minutes of the Committee meetings are provided to all Governors subject to the exclusions described in 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,

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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 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2020 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

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auditors (for colleges subject to funding audit) in their management letters and other reports.

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit 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 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2020.

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 10 December 2020 and signed on its behalf by:



Meirion Howells
Chair of the Corporation



Mark Jones
Principal and Accounting Officer

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

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

We confirm, on behalf of the Corporation that after due enquiry, that **to the best of our knowledge**, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Welsh Government's terms and conditions of funding under the College's funding agreement. We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.

If any instances are identified after the date of this Statement, these will be notified to Welsh Government.

Approved by order of the members of the Corporation on 10 December 2020 and signed on its behalf by:



Meirion Howells
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 *2019 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2019 to 2020* issued by Welsh Government, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Welsh Government are used only in accordance with the Financial Memorandum with the Welsh and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing

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economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Welsh Government are not put at risk.

Approved by order of the members of the Corporation on 10 December 2020 and signed on its behalf by:



Meirion Howells

Chair of the Corporation

Independent auditor's report to the members of Gower College Swansea

Opinion

We have audited the financial statements of Gower College Swansea and subsidiary undertaking (the 'Group') for the year ended 31 July 2020 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheets, the Consolidated Cash Flow Statement 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" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and College's affairs as at 31 July 2020 and of the Group's and College's surplus of income over expenditure for the year then ended; and
- 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 Group and 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 Group's and College's ability to continue to adopt the going concern basis of

accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; 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 the Governing body

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 35, the Governing body is 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 is responsible for assessing the Group's and 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 either 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Gower College Swansea

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 Group and College and the Governing body as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

Chartered Accountants and Statutory Auditor

90 Victoria Street, Bristol, BS1 4AN

Date

Gower College Swansea

Consolidated Statements of Comprehensive Income

	Notes	2020	2020	2019	2019
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	36,546	36,507	34,230	34,071
Tuition fees and education contracts	3	4,130	3,809	4,595	3,889
Other grants and contracts	4	3,922	3,779	3,242	3,242
Other income	5	1,742	1,742	2,665	2,665
Investment income	6	20	20	12	12
Donations and Endowments	7	-	-	-	-
Total income		46,360	45,857	44,744	43,879
EXPENDITURE					
Staff costs	8	34,725	33,810	32,173	30,887
Fundamental restructuring costs	8	765	665	204	70
Other operating expenses	9	9,507	10,035	11,754	11,838
Depreciation and amortisation	12,13	2,938	2,910	3,015	2,866
Interest and other finance costs	10	626	606	485	480
Total expenditure		48,561	48,026	47,631	46,141
(Deficit) before other gains and losses		(2,201)	(2,169)	(2,887)	(2,262)
Loss on investments	14	-	-	-	(670)
(Deficit) before tax		(2,201)	(2,169)	(2,887)	(2,932)
Taxation	11	1	-	-	-
(Deficit) for the year		(2,200)	(2,169)	(2,887)	(2,932)
Actuarial (loss)/gain in respect of pensions schemes	26	(18,290)	(18,290)	(8,370)	(8,370)
Total Comprehensive Income for the year before minority interest		(20,490)	(20,459)	(11,257)	(11,302)
Minority interest		-	-	75	-
Total Comprehensive Income for the year		(20,490)	(20,459)	(11,182)	(11,302)
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive income		(20,490)	(20,459)	(11,182)	(11,302)
(20,490)		(20,490)	(20,459)	(11,182)	(11,302)
(Deficit) for the year attributable to:					
Non-controlling interest		-	-	75	-
Group		(2,200)	(2,169)	(2,887)	(2,932)
(2,200)		(2,200)	(2,169)	(2,812)	(2,932)
Total Comprehensive Income for the year attributable to:					
Non-controlling interest		-	-	75	-
Group		(20,490)	(20,459)	(11,257)	(11,302)
(20,490)		(20,490)	(20,459)	(11,182)	(11,302)

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
Group					
Balance at 1st August 2018	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)	-	-	-
Movement in the year	(10,945)	(237)	(11,182)	(75)	(11,257)
Balance at 31st July 2019	(4,399)	12,001	7,602	-	7,602
(Deficit) from the income and expenditure account	(2,200)	-	(2,200)	-	(2,200)
Other comprehensive income	(18,290)	-	(18,290)	-	(18,290)
Transfers between revaluation and income and expenditure reserves	237	(237)	-	-	-
Total comprehensive income for the year	(20,253)	(237)	(20,490)	-	(20,490)
Balance at 31 July 2020	(24,652)	11,764	(12,888)	-	(12,888)
College					
Balance at 1st August 2018	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)	-	-	-
Movement in the year	(11,065)	(237)	(11,302)	-	(11,302)
Balance at 31st July 2019	(4,265)	12,001	7,736	-	7,736
(Deficit) from the income and expenditure account	(2,169)	-	(2,169)	-	(2,169)
Other comprehensive income	(18,290)	-	(18,290)	-	(18,290)
Transfers between revaluation and income and expenditure reserves	237	(237)	-	-	-
Total comprehensive income for the year	(20,222)	(237)	(20,459)	-	(20,459)
Balance at 31 July 2020	(24,487)	11,764	(12,723)	-	(12,723)

Gower College Swansea

Balance sheets as at 31 July

	Notes	Group	College	Group	College
		2020	2020	2019	2019
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible fixed assets	13	171	171	214	214
Tangible fixed assets	12	42,180	42,157	41,934	41,886
Investments	14	-	-	-	-
Investment properties	14	145	145	145	145
		42,496	42,473	42,293	42,245
Current assets					
Stocks		-	-	6	6
Trade and other receivables	15	4,187	4,172	4,717	4,485
Investments	16	-	-	772	772
Cash and cash equivalents	21	6,270	6,270	5,943	5,943
		10,457	10,442	11,438	11,206
Less: Creditors – amounts falling due within one year	17	(7,465)	(7,266)	(8,936)	(8,529)
Net current assets		2,992	3,176	2,502	2,677
Total assets less current liabilities		45,488	45,649	44,795	44,922
Creditors – amounts falling due after more than one year	18	(9,754)	(9,750)	(9,125)	(9,118)
Provisions					
Defined benefit obligations	20	(47,590)	(47,590)	(26,920)	(26,920)
Other provisions	20	(1,032)	(1,032)	(1,148)	(1,148)
Total net assets		(12,888)	(12,723)	7,602	7,736
Unrestricted Reserves					
Income and expenditure account		(24,652)	(24,487)	(4,399)	(4,265)
Revaluation reserve		11,764	11,764	12,001	12,001
Total unrestricted reserves attributable to the Group		(12,888)	(12,723)	7,602	7,736
Minority interest		-	-	-	-
Total unrestricted reserves		(12,888)	(12,723)	7,602	7,736

The financial statements on pages 41 to 74 were approved and authorised for issue by the Corporation on 10 December 2020 and were signed on its behalf on that date by:



Meirion Howells
Chair of the Governing Body



Mark Jones
Principal and Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
Cash flow from operating activities			
(Deficit) for the year		(2,201)	(2,887)
Adjustment for non-cash items			
Depreciation and amortisation		2,938	3,015
Decrease/(increase) in stocks		6	6
Decrease/(increase) in debtors		530	1,551
(Decrease)/increase in creditors due within one year		(1,270)	515
Increase/(decrease) in creditors due after one year		869	41
(Decrease)/increase in provisions		(116)	24
Pensions costs less contributions payable		2,380	2,020
Revaluation of investment properties		-	-
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		(20)	(12)
Interest payable		66	55
Taxation paid		1	(3)
Loss on sale of fixed assets		-	-
Net cash flow from operating activities		<u>3,183</u>	<u>4,325</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Investment income		20	12
Withdrawal of deposits		-	-
New deposits		-	-
Payments made to acquire fixed assets		(2,505)	(2,750)
		<u>(2,485)</u>	<u>(2,738)</u>
Cash flows from financing activities			
Interest paid		(65)	(50)
Interest element of finance lease rental payments		(1)	(1)
New unsecured loans		-	-
New secured loan		-	2,000
Repayments of amounts borrowed		(220)	(181)
Capital element of finance lease rental payments		(4)	(5)
		<u>(290)</u>	<u>1,763</u>
Increase/(decrease) in cash and cash equivalents in the year		<u>408</u>	<u>3,350</u>
Cash and cash equivalents at beginning of the year	21	5,642	2,292
Cash and cash equivalents at end of the year	21	<u>6,050</u>	<u>5,642</u>

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Gower College Swansea. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. The Corporation was established in Wales and the registered office is Gower College Swansea, Tycoch Road, Sketty, Swansea, SA2 9EB.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2019 to 2020* 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. All financial statements are made up to 31 July 2020.

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.

Although the College balance sheet has net liabilities of £12.8 million at 31 July 2020, this net liability position arises from the actuarial movements in relation to the Local Government Pension Scheme. The pension liability at 31 July 2020 amounted to £47.6 million and falls due after more than one year. The net asset position (excluding the pension liability) amounted to £34.8 million and the net current asset position was £3 million.

The College has cash reserves of £6.2m at 31 July 2020. An amount of £3.1m has been generated from operations and working capital movements. 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.

The Governors have considered the impact of Covid-19 on the College. The College has successfully adapted its modes of delivery to be flexible between face to face teaching and online remote delivery. In addition, investment continues in the IT Infrastructure of the College to continue to meet these challenges. Enrolments of full time learners in September 2020 were strong and enrolments in future years are expected to increase in line with the demographic for Swansea which identifies increasing numbers of school leavers for the next four years.

The Governors have also considered the impact of Brexit. The College utilises ESF structural funds of around £3 million annually. The College will seek to access successor funding streams via the Shared Prosperity Fund/Regional Investment Fund when funding for existing projects ends during 2021.

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

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

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

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

Investments

Investments in subsidiaries

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

Other investments

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

Investment Properties

Investment properties are stated at open market value at the balance sheet date.

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 4% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Welsh Government recurrent grant	25,593	25,593	24,325	24,325
Higher Education Funding Council for Wales	74	74	66	66
Specific grants				
Work Based Learning	7,074	7,035	7,148	6,989
Releases of Welsh Government capital grants	697	697	523	523
Other Welsh Government grants	3,108	3,108	2,168	2,168
Total	36,546	36,507	34,230	34,071

3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	462	415	1,051	752
Apprenticeship fees and contracts	279	22	455	96
Fees for FE loan supported courses	383	383	427	427
Fees for HE loan supported courses	1,457	1,457	1,457	1,457
International students fees	720	720	796	796
Total tuition fees	3,301	2,997	4,186	3,528
Education contracts	829	812	409	361
Total	4,130	3,809	4,595	3,889

4 Other grants and contracts	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	-	-	141	141
UK-based charities	-	-	-	-
European Commission	3,126	3,126	2,656	2,656
Other grants and contracts	796	653	445	445
Total	3,922	3,779	3,242	3,242

5 Other income	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Insurance proceeds (see note 29)	-	-	218	218
Catering and residences	692	692	894	894
Other income generating activities	109	109	463	463
Other grant income	256	256	281	281
Non-government capital grants	41	41	41	41
Miscellaneous income	644	644	768	768
Total	1,742	1,742	2,665	2,665

6 Investment income	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	-	-	-	-
Other interest receivable	20	20	12	12
	20	20	12	12
Net return on pension scheme (note 25)	-	-	-	-
Total	20	20	12	12

7 Donations – College only	2020	2019
	£'000	£'000
Unrestricted donations	-	-
Total	-	-

8 Staff costs – Group and College

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

	2020	2020	2019	2019
	Group	College	Group	College
	No.	No.	No.	No.
Full time equivalents				
Teaching department staff	587	569	579	558
Non-teaching department staff	262	254	261	251
	849	823	840	809
Headcount	No.	No.	No.	No.
Teaching department staff	631	612	627	606
Non-teaching department staff	449	440	435	423
	1,080	1,052	1,062	1,029
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Staff costs for the above persons				
Wages and salaries	25,227	24,408	24,148	23,006
Social security costs	2,427	2,351	2,304	2,182
Other pension costs	7,071	7,051	5,721	5,699
Staff costs	34,725	33,810	32,173	30,887
Restructuring costs	765	665	204	70
Total Staff costs	35,490	34,475	32,377	30,957

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 (retired April 2020), 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

	2020	2020
	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	
	2020 No.	2019 No.	2020 No.	2019 No.
£60,001 to £65,000 p.a.	-	-	1.0	7.0
£65,001 to £70,000 p.a.	-	-	4.0	-
£70,001 to £75,000 p.a.	-	2.0	-	-
£75,001 to £80,000 p.a.	2.0	-	-	-
£80,001 to £85,000 p.a.	-	1.0	-	0.1
£85,001 to £90,000 p.a.	1.7	1.0	-	-
£90,001 to £95,000 p.a.	-	-	-	-
£95,001 to £100,000 p.a.	1.0	1.0	-	-
£140,001 to £145,000 p.a.	-	1.0	-	-
£155,001 to £160,000 p.a.	1.0	-	-	-
	5.7	6.0	5.0	7.1

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

Group	Key management personnel		Other staff	
	2020 £000	2019 £000	2020 £000	2019 £000
Salaries	555	553	333	429
Performance related pay	7	7	-	-
Benefits in kind	-	-	-	-
	562	560	333	429
Employer pension contributions	125	105	62	50
	687	665	395	479

The number of other staff above and their associated remuneration includes one (2018/19: three) 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 £nil (2019: £66,000). No such payments were made to higher paid staff within the College.

The employer's national insurance in relation to key management personnel for the year was £71,000 (2019: £70,000).

College	Key management personnel		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£60,001 to £65,000 p.a.	-	-	1.0	1.0
£65,001 to £70,000 p.a.	-	-	3.0	3.0
£70,001 to £75,000 p.a.	-	2.0	-	-
£75,001 to £80,000 p.a.	2.0	-	-	-
£80,001 to £85,000 p.a.	-	1.0	-	-
£85,001 to £90,000 p.a.	1.7	1.0	-	0.1
£90,001 to £95,000 p.a.	-	-	-	-
£95,001 to £100,000 p.a.	1.0	1.0	-	-
£140,001 to £145,000 p.a.	-	1.0	-	-
£155,001 to £160,000 p.a.	1.0	-	-	-
	5.7	6.0	4.0	4.1

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

College	Key management personnel		Other staff	
	2020 £000	2019 £000	2020 £000	2019 £000
Salaries	555	553	265	256
Performance related pay	7	7	-	-
Benefits in kind	-	-	-	-
	562	560	265	256
Employer pension contributions	125	105	60	45
	687	665	325	301

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 (2019: £nil).

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

	2020 £'000	2019 £'000
Salaries	155	144
Performance related pay	-	-
Benefits in kind	-	-
	155	144
Pension contributions	36	24

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The remuneration package of the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the Governing Body who use benchmarking information to provide objective guidance. The Remuneration Committee assesses the Corporation's performance against KPIs and the attainment of students in the year, as well as the progress against the college's long term strategic objectives, including the objective of achieving growth, when reviewing the remuneration package of the Principal and Chief Executive. Qualitative measures of success, such as level of engagement of the staff and students are also considered. The level of pay is benchmarked against the pay of colleges of similar size in the prior financial year, taken from their financial statements, and the general trend within the sector is also considered. In 2019, the College was in line with its Key Performance Indicator targets and the Remuneration Committee awarded a 5% increase to the Principal/Chief Executive in addition to the standard inflationary increase.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

	2020 £'000	2019 £'000
Principal/CEO basic salary as a multiple of the median of all staff	5.6	5.3
Principal/CEO's total remuneration as a multiple of the median of all staff	6.0	5.5

The members of the Corporation other than the Accounting Officer, the staff members and the NUS Officer did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. The total payments for Governors expenses amounted to £1,163 (2019: £2,361) and related to 3 (2019: 4) Governors.

9 Other operating expenses

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Teaching department costs	3,641	4,359	4,638	5,138
Non-teaching department costs	3,152	3,003	4,212	3,867
Premises costs	2,714	2,673	2,838	2,767
Insurance expenditure (see note 29)	-	-	66	66
Total	9,507	10,035	11,754	11,838

Other operating expenses include:

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Auditors' remuneration:				
Financial statements audit	31	22	25	20
Internal audit	10	10	12	12
Other services provided by the financial statements auditor				
- Grant audits	-	-	2	2
- Taxation advice	2	-	1	-
- Compliance reviews	-	-	3	3
Other services provided by the internal auditors	-	-	-	-
Hire of assets – buildings	309	277	259	218
Hire of assets - equipment	69	63	73	67

10 Interest and other finance costs – Group and College

	2020 Group	2020 College	2019 Group	2019 College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:	65	46	50	46
	<hr/> 65	<hr/> 46	<hr/> 50	<hr/> 46
On finance leases	1	-	1	-
Interest payable on early retirements	-	-	4	4
Pension finance costs (note 25)	560	560	430	430
Total	<hr/> 626	<hr/> 606	<hr/> 485	<hr/> 480

11 Taxation – Group only

	2020 £'000	2019 £'000
United Kingdom corporation tax charge/(credit)	(1)	-
Provision for deferred corporation tax	<hr/> -	<hr/> -
Total	<hr/> (1)	<hr/> -

12	Tangible fixed assets (Group)				
	Land and buildings		Equipment	Motor vehicles	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2019	55,551	-	11,894	365	67,810
Additions	857	-	1,433	34	2,324
Disposals	-	-	(44)	-	(44)
Transfer from current assets	-	772	-	-	772
At 31 July 2020	56,408	772	13,283	399	70,862
Depreciation					
At 1 August 2019	16,947	-	8,649	280	25,876
Charge for the year	1,403	-	1,407	40	2,850
Elimination in respect of disposals	-	-	(44)	-	(44)
At 31 July 2020	18,350	-	10,012	320	28,682
Net book value at 31 July 2020	38,058	772	3,271	79	42,180
Net book value at 31 July 2019	38,604	-	3,245	85	41,934

	Tangible fixed assets (College only)				
	Land and buildings		Equipment	Motor vehicles	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2019	55,551	-	11,643	365	67,559
Additions	857	-	1,430	34	2,321
Disposals	-	-	(43)	-	(43)
Transfer from current assets	-	772	-	-	772
At 31 July 2020	56,408	772	13,030	399	70,609
Depreciation					
At 1 August 2019	16,947	-	8,446	280	25,673
Charge for the year	1,403	-	1,379	40	2,822
Elimination in respect of disposals	-	-	(43)	-	(43)
At 31 July 2020	18,350	-	9,782	320	28,452
Net book value at 31 July 2020	38,058	772	3,248	79	42,157
Net book value at 31 July 2019	38,604	-	3,197	85	41,886

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 £828,000 (2019: £102,000) relating to assets in the course of construction.

Included within the net book value of tangible fixed assets (Group only) is £5,000 (2019: £12,000) 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 (2019: £6,000).

13 Intangible assets

Group	Goodwill	Software and Licences	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2019	283	462	745
Additions	-	45	45
Disposals	-	-	-
At 31 July 2020	283	507	790
Depreciation			
At 1 August 2019	283	248	531
Charge for the year	-	88	88
Elimination in respect of disposals	-	-	-
At 31 July 2020	283	336	619
Net book value at 31 July 2020	-	171	171
Net book value at 31 July 2019	-	214	214

College	Software and Licences	Total
	£'000	£'000
Cost or valuation		
At 1 August 2019	462	462
Additions	45	45
Disposals	-	-
At 31 July 2020	507	507
Depreciation		
At 1 August 2019	248	248
Charge for the year	88	88
Elimination in respect of disposals	-	-
At 31 July 2020	336	336
Net book value at 31 July 2020	171	171
Net book value at 31 July 2019	214	214

14 Non-current investments

a) Investments - College

	College 2020 £'000	College 2019 £'000
Investments in subsidiary companies	-	-

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.

b) Investment Properties – Group and College

	2020 £'000	2019 £'000
Investment Properties	145	145

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

15 Debtors	Group	College	Group	College
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	419	412	921	735
Amounts owed by group undertakings:				
Subsidiary undertakings	-	9	-	-
Associate undertakings	-	-	-	-
Prepayments and accrued income	484	467	447	401
Amounts owed by Welsh Government	3,284	3,284	3,349	3,349
Total	4,187	4,172	4,717	4,485

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
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Current asset investments	-	-	772	772
Short term deposits	-	-	-	-
Total	-	-	772	772

Current asset investments relate to a property owned by the College. The property has been transferred to tangible fixed assets during the year.

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
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	433	213	497	196
Other loans	18	18	18	18
Obligations under finance leases	4	-	5	-
Capital creditors	287	287	423	423
Trade payables	744	735	1,418	1,360
Amounts owed to group undertakings:				
Subsidiary undertakings	-	218	-	137
Associate undertakings	-	-	-	-
Corporation tax	-	-	-	-
Other taxation and social security	590	569	567	528
Holiday pay accrual	610	589	716	701
Accruals and deferred income	3,264	3,122	3,623	3,497
Deferred income - government capital grants	817	817	619	619
Deferred income - government revenue grants	698	698	1,050	1,050
Total	7,465	7,266	8,936	8,529

18 Creditors falling due after more than one	Group	College	Group	College
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Bank loans	2,218	2,218	2,437	2,437
Other loans	76	76	94	94
Obligations under finance leases	4	-	7	-
Deferred income - government capital grants	7,456	7,456	6,587	6,587
Total	9,754	9,750	9,125	9,118

(a) Bank loans and overdrafts

	Group	College	Group	College
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
In one year or less	433	213	497	196
Between one and two years	216	216	200	200
Between two and five years	1,811	1,811	1,950	1,950
In five years or more	191	191	287	287
Total	2,651	2,431	2,934	2,633

The bank loan with Lloyds Bank is unsecured and incurs interest at base rate plus 0.35% at 31 July 2020. The loan is repayable in monthly instalments and is due to be fully repaid by 2026. The College is in the process of providing security for this loan against part of the Hill House campus.

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 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'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	3	3	21	21
Total	94	94	112	112

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. Other loans 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 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	4	-	5	-
Between one and two years	2	-	4	-
Between two and five years	2	-	3	-
In five years or more	-	-	-	-
Total	8	-	12	-

19 Financial Instruments

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Financial assets				
Financial assets measured at amortised cost	9,973	10,061	10,985	10,816
Financial liabilities				
Financial liabilities measured at amortised cost	17,219	17,016	18,061	17,647

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 2019	1,050	98	1,148	26,920	28,068
Expenditure in the period	(78)	(103)	(181)	(2,390)	(2,571)
Movement in the period	60	5	65	23,060	23,125
At 31 July 2020	1,032	-	1,032	47,590	48,622

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:

	2020	2019
Price inflation	2.2%	2.2%
Discount rate	1.3%	2.0%

21 Cash flows

	At 1 August 2019	Cash flows	At 31 July 2020
	£'000	£'000	£'000
Cash and cash equivalents	5,943	327	6,270
Overdrafts	(301)	81	(220)
Total	5,642	408	6,050

22 Capital and other commitments

	Group and College	
	2020	2019
	£'000	£'000
Commitments contracted for at 31 July	288	66

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
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Land and buildings				
Not later than one year	192	192	290	273
Later than one year and not later than five years	68	68	259	259
Later than five years	-	-	-	-
	<u>260</u>	<u>260</u>	<u>549</u>	<u>532</u>
Other				
Not later than one year	78	72	84	78
Later than one year and not later than five years	37	20	110	86
Later than five years	-	-	-	-
	<u>115</u>	<u>92</u>	<u>194</u>	<u>164</u>

24 Contingent liabilities

The College does not have any contingent liabilities.

25 Events after the reporting period

There are no reportable events after the balance sheet date.

26 Defined benefit obligations

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

Total pension cost for the year - College	2020	2019
	£000	£000
Teachers' Pension Scheme: contributions paid	2,781	1,895
Local Government Pension Scheme:		
Contributions paid	2,390	2,110
FRS 102 (28) charge	1,820	1,590
Charge to the Statement of Comprehensive Income	4,210	3,700
Enhanced pension charge to Statement of Comprehensive Income	60	104
Total Pension Cost for Year within staff costs	7,051	5,699

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 2019. Contributions amounting to £578,000 (2019: £494,000) were payable to the schemes at 31st July and are included within creditors.

Teachers' Pension Scheme

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

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

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

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).

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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 £2,781,000 (2019: £1,895,000).

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 2020 were £3,080,000 (2019: £2,700,000) of which employer's contributions totalled £2,390,000 (2019: £2,110,000) and employees' contributions totalled £690,000 (2019: £590,000).

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. From 1 April 2020, the employers contribution rate decreased to 21.3%.

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 2019 updated to 31 July 2020 by a qualified independent actuary.

	At 31 July 2020	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.8%	3.7%	3.6%
Future pensions increases	2.3%	2.2%	2.1%
Discount rate for scheme liabilities	1.4%	2.2%	2.8%
Inflation assumption (CPI)	2.3%	2.2%	2.1%
Commutation of pensions to lump sums	80%	80%	80%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.
The assumed life expectations on retirement age 65 are:

	At 31 July 2020	At 31 July 2019
	Years	Years
<i>Retiring today</i>		
Males	22.2	23.0
Females	24.2	24.6
<i>Retiring in 20 years</i>		
Males	23.2	24.7
Females	25.7	26.4

	Fair Value at 31 July 2020	Fair Value at 31 July 2019
	£'000	£'000
Equity instruments	39,868	39,575
Government bonds	2,825	5,420
Property	2,665	2,250
Cash	1,173	1,636
Corporate bonds	533	409
Other	6,236	1,840
Total fair value of plan assets	53,300	51,130
Actual return on plan assets	350	3,140

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

	2020	2019
	£'000	£'000
Fair value of plan assets	53,300	51,130
Present value of plan liabilities	(100,890)	(78,050)
Net pensions (liability)/asset (Note 20)	(47,590)	(26,920)

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

	2020	2019
	£'000	£'000
Amounts included in staff costs		
Current service cost	4,210	2,470
Past service cost	-	1,230
Total	4,210	3,700
Amounts included in interest and other finance costs		
Net interest cost	560	430
	560	430

Amount recognised in Other Comprehensive Income

Return on pension plan assets	(800)	1,820
Experience gains/(losses) arising on defined benefit obligations	(17,490)	(10,190)
Amount recognised in Other Comprehensive Income	(18,290)	(8,370)

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

	2020	2019
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(26,920)	(16,530)
Movement in year:		
Current service cost	(4,210)	(2,470)
Employer contributions	2,390	2,110
Past service cost	-	(1,230)
Net interest on the defined (liability)/asset	(560)	(430)
Actuarial gain or loss	(18,290)	(8,370)
Net defined benefit (liability)/asset at 31 July	(47,590)	(26,920)

Asset and Liability Reconciliation

	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	78,050	62,900
Current service cost	4,210	2,470
Interest cost	1,710	1,750
Contributions by Scheme participants	690	590
Experience gains and losses on defined benefit obligations	17,490	10,190
Estimated benefits paid	(1,260)	(1,080)
Past Service cost	-	1,230
Curtailments and settlements	-	-
Defined benefit obligations at end of period	100,890	78,050

Changes in fair value of plan assets

Fair value of plan assets at start of period	51,130	46,370
Interest on plan assets	1,150	1,320
Return on plan assets	(800)	1,820
Employer contributions	2,390	2,110
Contributions by Scheme participants	690	590
Estimated benefits paid	(1,260)	(1,080)
Fair value of plan assets at end of period	53,300	51,130

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 £20,000 (2019: £22,000). Amounts payable to the pension scheme at the year end amounted to £3,000 (2019: £9,000).

27 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £1,163; 3 governors (2019: £2,361; 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, staff governors or NUS Officer) has received any remuneration or waived payments from the College or its subsidiaries during the year (2019: None).

Related party transactions are as follows:

	Income	Expenditure	Income	Expenditure
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
City & County of Swansea	179	86	280	89

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

	2020	2019
	£'000	£'000
Funding body grants – unspent amounts from prior year	-	-
Funding body grants – discretionary learner support	515	491
	<hr/> 515	<hr/> 491
Disbursed to students	(452)	(476)
Administration costs	(15)	(15)
	<hr/> 48	<hr/> -
Balance unspent as at 31 July	<hr/> 48	<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 Tycloch Campus. The College has restored the damaged facilities which were fully insured.

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

	2020	2019
	£'000	£'000
Insurance proceeds relating to items charged to the Statement of Comprehensive Income	-	66
Insurance proceeds relating to replacement of fixed assets	-	152
Insurance proceeds in the year	<hr/> -	<hr/> 218

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