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Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2009

Legal Status

In 1991, Parliament passed the Further and Higher Education Act as a result of which all former institutions of further education (where the total full-time, block release and part-time day release student enrolments in the 1990 FESR amounted to at least 15 per cent of the College's student load) and all existing sixth form institutions were incorporated into a new sector. These financial statements are for the seventeenth accounting period of the College following incorporation on 30 September 1992, although the corporation did not become an independent institution until 1 April 1993 (vesting day).

Mission

The College's mission as approved by its members is to:

"continue as a leading respected provider of the highest quality education and training."

Implementation of strategic plan

In July 2007 the College adopted a strategic plan for the period 1 August 2007 to 31 July 2010. This strategic plan includes property and financial plans. The Governing Body monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic objectives are to:

- achieve the annual Welsh Assembly targets set in relation to CEU allocations and Work Based Learning contracts.
- implement the environmental and green college strategy.
- improve student retention.
- retain the Investors in People award.
- maintain the financial viability of the College.

The College is on target for achieving these objectives.

The College's specific objectives for 2008/09 and achievement of those objectives is addressed below.

- the College exceeded the WCEU target of 285,458 by approximately 37,000 CEU's.
- student retention was improved over the prior year.
- the financial viability of the College has been maintained.

Financial objectives

The College's financial objectives are:

- to achieve an annual operating surplus
- to pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances
- to generate sufficient levels of income to support the asset base of the College
- to further improve the College's shorter term liquidity
- to fund continued capital investment

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Operating and Financial Review (continued)

FINANCIAL POSITION

Financial results

The College's main source of income comes from the Welsh Assembly Government. During the year the College generated a deficit on continuing operations after depreciation of assets at valuation and tax of £(324,000). After an adjustment for depreciation the historic cost deficit for 2008/09 was £(247,000).

The College has accumulated reserves of £7,699,000 and cash balances of £1,539,000. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

The College has significant reliance on the Welsh Assembly Government for its principal funding source, largely from recurrent grants. In 2008/09 the Welsh Assembly Government provided 79% of the College's total income.

Physical developments

Tangible fixed asset additions during the year amounted to £1,921,000. This was split between land and buildings acquired of £1,491,000, and equipment, fixtures and fittings purchased of £430,000. In the main this related to the new building on the main site.

The College has continued to carry out estates related work as identified within the long term planned maintenance programme. This has included the work in relation to the science laboratories and the replacement of the original steel framed windows in the common room, hall and administrative buildings.

The College has a planned maintenance programme, which was revised in 2008/2009 and covers a period of ten years. Over the next five years the estimated cost of the programme is £1,260,000 resulting in an average annual charge of £252,000.

The plan takes into account the volume of capital building works proposed within the Estates Strategy, where dilapidated buildings are replaced with new. The planned maintenance programme is reviewed each year.

The College plans to carry out the works as scheduled within the planned maintenance programme

Year	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Outstanding at 1 August	93	(55)	(51)	3	36
Average annual charge	252	252	252	252	252
Actual or planned expenditure	(400)	(248)	(198)	(219)	(288)
Outstanding at 31 July	<u>(55)</u>	<u>(51)</u>	<u>3</u>	<u>36</u>	<u>-</u>

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking and money 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 Principal. Such arrangements are restricted by limits in the Financial Memorandum with the Welsh Assembly Government. All other borrowing requires the authorisation of the Governing Body and shall comply with the requirements of the Financial Memorandum of the Welsh Assembly Government.

Operating and Financial Review (continued)

Cash flows

At £794,000 (2007/08: £490,000), operating cash in flow was reasonably strong.

Liquidity

During the prior year the College changed its loan provider from Allied Irish Bank plc to Lloyds TSB plc. A loan facility of up to £1,700,000 is available but only £1,490,000 has been used by the College.

The size of the College's total borrowing and its approach to interest rate have 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.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Staff and student involvement

The College considers good communication with its staff to be very important and to this end publishes a regular newsletter that is available to all staff. The College encourages staff and student involvement through membership of formal committees.

Student numbers

In 2008/09 the College has delivered activity that has produced £9,108,000 in main allocation funding (2007/08: £8,302,029 including FE pay award grant).

Student achievements

Students achieved a 98% pass rate in their A-level examinations in 2008/09 with over 81% of the passes at grades A to C.

Curriculum developments

The College has a reputation for excellence, and courses provided are wide-ranging and offer choices to allow the students to tailor their personal programme to meet the needs and goals. This has led to the number of students progressing to higher education being amongst the highest in Wales.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During 2009/10 the College will continue to use its best endeavours to pay its suppliers in accordance with the target set within the Act or by the due date agreed with individual suppliers. During the accounting period 1 August 2008 to 31 July 2009 the College took, on average, 55 days to pay its suppliers. The College incurred no interest charges in respect of late payment for this period.

Post balance sheet events

The Merger between Gorseinon and Swansea Colleges continues to progress well. As a result of the merger, both College corporations will be dissolved and a new legal entity established. In September 2009, public consultation took place and in October 2009 the Strategic Outline Case (SOC) for merger was submitted to DCELLS for their consideration. In addition, a Shadow Board has been established with both new members and members from the existing Governing Bodies.

Operating and Financial Review (continued)

In the coming months the anticipated timetable is as follows:

December 2009	DCELLS consider formal proposal (SOC)
January 2010-March 2010	Draft order to establish the new College is published. Consultation Period takes place, lasting 40 days.
April 2010 – June 2010	Establishment Order and Government Regulations are laid and come into force, new College is established.
July 2010	The Dissolution Orders are laid and the existing Colleges are dissolved.
1 st August 2010	New legal entity formed. Assets and liabilities transferred. Staff TUPE to new College.

In addition to the merger, both colleges are investigating the feasibility of a new City Centre site which would replace Swansea College's current estate. Consultants have been appointed to put together an Outline Business Case (OBC) to identify the appropriate course of action for the new College and this report is expected to be completed in early 2010.

Future developments

During this period of change the College will continue to provide the high level of education for which it has become well known. It must be emphasised that there should be no detrimental impact on existing learners. The College will operate "business as usual".

A programme of estates adaptations and improvements are planned for the coming months. In addition, the College has been granted planning permission to build a 24 classroom teaching block to replace existing inappropriate accommodation.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the main College site which is being constantly developed, the Life Long Learning Centre at Alexandra Road, the Kingsbridge Centre and the Canolfan Y Bont teaching centre.

Financial

The College has £7,699,000 of net assets (including £3,670,000 pension liability) and long term debt of £1,413,000.

People

The College employs 307 people (expressed as full time equivalents), of whom 210 are teaching staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES

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 Group 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 Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

Operating and Financial Review (continued)

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.

1. Government funding

The College has considerable reliance on continued government funding through the Welsh Assembly Government. In 2009, 79% of the College's revenue was ultimately funded by the Welsh Assembly Government and this level of requirement is expected to continue. 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.

2. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 17.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Welsh Assembly Government;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- UK Government Offices;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

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

Equal opportunities and employment of disabled persons

Gorseinon 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, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

The College's Equal Opportunities Policy, including its Race Equality and Gender Equality Policies, is published on the College's Internet site.

Operating and Financial Review (continued)

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees.

Charitable and taxation status

The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2006 and is not liable to corporation tax.

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 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 information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Governing Body on 10 December 2009 and signed on its behalf by:

Chairman
R Kirby

Operating and Financial Review (continued)**Professional Advisers**

External Auditors: Wales Audit Office

Internal Auditors: PricewaterhouseCoopers (from 1 August 2009)
Grant Thornton (to 31 July 2009)

Bankers: HSBC plc
Lloyds TSB

Solicitors: Douglas, Jones & Mercer

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2006. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Governors, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2009.

Governing Body:

The members who served the College during the year and up to the date of signature of this report were as follows:

R Kirby-Chair	Appointed April 2003, re-appointed Apr 2007, appointed Chairman October 2008.
R Webster	Re-appointed May 2003 and May 2007, chairman from September 1999 to May 2007.
D Ashelby-Vice Chair	Re-appointed December 2005 for 4 years, appointed Vice-Chairman for 4 years.
N Bennett	Appointed Principal September 2002.
C Cornelius	Appointed December 2002, re-appointed December 2006.
R A Goodwin	Re-appointed June 2004, re-appointed June 2008.
J Miles	Re-appointed February 2004, re-appointed December 2005.
P Padley	Appointed May 2007.
S Greenslade	Appointed June 2007.
H Mosford	Appointed September 2004, resigned October 2009.
A Donald	Appointed June 2005, re-appointed June 2009.
C M Jones	Appointed September 2006.
J Gupta	Appointed June 2007, relocated and resigned Jan 2009.
D Clifford	Appointed May 2008.
A Jenkins	Appointed September 2007, resigned September 2008.
B Donnelly	Appointed May 2007, resigned September 2009.
R Samuel	Appointed September 2008.
K Ferguson	Appointed May 2008.
T Idris	Appointed September 2008.
B Mainwaring	Appointed Student Governor November 2008, left March 2009.
B Sawyer	Appointed Student Governor November 2008, left June 2009.
F Austin	Elected Student Governor September 09.
E Austin	Elected Student Governor September 09.

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

Statement of Corporate Governance and Internal Control (continued)

The Governing Body is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Governing Body meets eight times a year.

The Governing Body conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Governing Body. These committees are a Finance Committee, a Special Committee, a Search Committee, a Student Guidance Committee, Curriculum Quality & Standards Committee, a Remuneration Committee and an Audit Committee. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available from the Clerk to the Governing Body at:

Gorseinon College
Belgrave Road
Gorseinon
Swansea
SA4 6RD

The Clerk to the Governing Body maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

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 Governing Body, who is responsible to the Governing Body for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Governing Body as a whole.

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

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

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

Appointments to the Governing Body

Any new appointments to the Governing Body are a matter for the consideration of the Governing Body as a whole. The Governing Body had a Search Committee, consisting of six members of the Governing Body, which were responsible for the selection and nomination of any new member for the Governing Body's consideration. The Search Committee ceased in September 2009 as the responsibility was handed over to the Selection Panel from this time. The Governing Body is responsible for ensuring that appropriate training is provided as required.

Members of the Governing Body are appointed for a term of office not exceeding four years.

Finance Committee

The Finance Committee inter alia recommends to the Governing Body the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

Special Committee

The Special Committee meets to discuss particular personnel matters in accordance with the Instruments and Articles of Government.

Statement of Corporate Governance and Internal Control (continued)

Student Guidance Committee

The Student Guidance Committee meets to discuss student related matters, including the distribution of the Financial Contingency Fund.

Curriculum Quality & Standards Committee

The Curriculum Quality & Standards Committee deals with maintaining and improving academic achievement

Remuneration Committee

Throughout the year ending 31 July 2009, the College's Remuneration Committee comprised three members. The committee's responsibilities are to make recommendations to the Governors on the remuneration and benefits of the Principal and other senior post-holders.

Audit Committee

The Audit Committee comprises five members of the Governing Body (excluding the Principal and Chair) plus one co-opted member. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee operates in accordance with written terms of reference approved by the Governing Body.

The Audit Committee meets at least four times a year, and provides a forum for reporting by the College's internal, regularity and financial statement auditors, who have access to the Governing Body for independent discussion, without the presence of College management. The Governing Body also receives and considers reports from the Welsh Assembly Government as they affect the College's business.

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

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

The Audit Committee also advises the Governing Body on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

Internal Control

Scope of responsibility

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

The Governing Body 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 Gorseinon College and the Welsh Assembly Government. He is also responsible for reporting to the Governing Body any material weakness or breakdowns in internal control.

Statement of Corporate Governance and Internal Control (continued)

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Gorseinon College for the year ended 31 July 2009 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Governing Body 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 Governing Body 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 2009 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Governing Body.

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.

Gorseinon College has an internal audit service, which operates in accordance with the requirements of the Welsh Assembly Government. 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 Governing Body on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit provides the Governing Body with a report on internal audit activity in the College. The report includes the Head of Internal Audit'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 executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's external auditors in their management letter and other reports

The Principal 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

Statement of Corporate Governance and Internal Control (continued)

risk committee, 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, 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 Governing Body receives regular information from the Audit Committee, as minutes are presented following each meeting. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2009 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2009 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2009.

Going concern

After making appropriate enquiries, the Governing Body 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 Governing Body on 10 December 2009 and signed on its behalf by:

Chairman
R Kirby

Date
10.12.09

Principal
N Bennett

Date
10.12.09

Statement of the Responsibilities of the Members of the Governing Body

The members of the Governing Body of the College are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum agreed between the Welsh Assembly Government and the Governing Body of the College, through its chief officer, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions*, 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 Governing Body is required to:

- select suitable accounting policies and then 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 Governing Body 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 Governing Body is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It has general responsibility for taking such steps that are reasonably open to it to safeguard 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 Governing Body 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 Governing Body are responsible for ensuring that expenditure and income are applied for the purposes intended by the Welsh Assembly Government and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Welsh Assembly Government are used only in accordance with the Financial Memorandum with the Welsh Assembly Government and any other conditions which the Welsh Assembly Government may from time to time prescribe. Members of the Governing Body must ensure that there are appropriate financial and management controls in place sufficient to safeguard public funds and ensure that they are used only in accordance with the conditions under which they have been made available. In addition, members of the Governing Body are responsible for securing the 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 by the Welsh Assembly Government are not put at risk.

Chairman
R Kirby

Date: 10.12.09

Independent Auditors' Report to the Members of Gorseinon College

We have audited the financial statements of Gorseinon College for the year ended 31 July 2009 which comprise the Income and Expenditure Account, the Statement of Historical Surpluses and Deficits, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and related notes. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the Governing Body's members as a body. Our audit work has been undertaken so that we might state to the Governing Body's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any one other than the Governing Body and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors

As described in the Statement of Responsibilities of the Members of the Governing Body, the Governing Body is responsible for the preparation of the Report of the Members and the financial statements in accordance with the Accounts Direction issued by the Welsh Assembly Government, the Statement of Recommended Practice – Accounting for Further and Higher Education 2007, applicable law and United Kingdom Auditing Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Accounts Direction issued by the Welsh Assembly Government and the Statement of Recommended Practice Accounting for Further and Higher Education 2007. We also report to you whether in our opinion, in all material respects, monies expended out of the Welsh Assembly Government grants and other funds from whatever source administered by the College for specific purposes, have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation and whether in our opinion in all material respects, income has been applied in accordance with the Financial Memorandum with the Welsh Assembly Government.

We also report to you if, in our opinion, the Report of the Members of the Governing Body is not consistent with the financial statements, if the College has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the Report of the Members of the Governing Body including the Corporate Governance Statement incorporating the Statement of Internal Controls and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Welsh Assembly Government. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluate the overall adequacy of the presentation of the information in the financial statements.

Independent Auditors' Report to the Members of Gorseinon College (continued)**Opinion**

In our opinion:

- a. the financial statements give a true and fair view of the state of affairs of the College as at 31 July 2009, and of its deficit of expenditure over income, cash flows and total recognised gains and losses for the year then ended and have been properly prepared in accordance with the Accounts Direction issued by the Welsh Assembly Government and the Statement of Recommended Practice *Accounting for Further and Higher Education*;
- b. in all material respects, monies expended out of the Welsh Assembly Government grants and other funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation;
- c. in all material respects, income has been applied in accordance with the financial memorandum with the Welsh Assembly Government.

Ceri Stradling
External Auditor
24 Cathedral Road,
Cardiff,
CF11 9LJ

Date

Independent Auditors' Report on Regularity to the Governing Body of Gorseinon College ('the Governing Body') and the Welsh Assembly Government

In accordance with the terms of our engagement letter and further to the requirements of the Welsh Assembly Government, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of Gorseinon College ('the College') for the year ended 31 July 2009 have been applied to the purposes identified by the Welsh Assembly Government and the financial transactions conform to the authorities which govern them.

This report is made solely to the Governing Body and the Welsh Assembly Government. Our review work has been undertaken so that we might state to the Governing Body and the Welsh Assembly Government those matters we are required to state to it in a 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 Governing Body and the Welsh Assembly Government, for our review work, for this report, or for the opinion we have formed.

Respective Responsibilities of the Members of the Governing Body of Gorseinon College and Auditors.

The College's Governing Body is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations, for ensuring that expenditure and income are applied for the purposes intended by the Welsh Assembly Government and the financial transactions conform to the authorities which govern them.

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the Welsh Assembly Government. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2009 have been applied to purposes intended by the Welsh Assembly Government and the financial transactions conform to the authorities which govern them.

Basis of Opinion

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by the Welsh Assembly Government. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

Opinion

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2009 have been applied to purposes intended by the Welsh Assembly Government and the financial transactions conform to the authorities which govern them.

Ceri Stradling
External Auditor
24 Cathedral Road,
Cardiff,
CF11 9LJ

Date

Income and Expenditure Account

	Notes	2009 £'000	2008 £'000
INCOME			
Welsh Assembly Government Grants	2	10,375	9,513
Tuition Fees and Education Contracts	3	501	426
Research Grants and Contracts	4	-	-
Other income	5	2,176	2,694
Endowment & Investment income	6	16	46
Total Income		<u>13,068</u>	<u>12,679</u>
EXPENDITURE			
Staff costs	7	9,821	9,490
Exceptional restructuring costs	7	233	-
Other operating expenses	9	2,543	2,484
Depreciation	13	636	648
Interest payable and other finance costs	10	159	88
Total expenditure		<u>13,392</u>	<u>12,710</u>
Deficit on continuing operations after depreciation of assets at valuation and before tax		(324)	(31)
Surplus on disposal of assets	13	-	-
Deficit on continuing operations after depreciation of assets at valuation and disposal of assets but before tax		<u>(324)</u>	<u>(31)</u>
Taxation	11	-	-
Deficit on continuing operations after depreciation of assets at valuation and tax	12	<u>(324)</u>	<u>(31)</u>

The income and expenditure account is in respect of continuing operations.

Statement of Historical Cost Surpluses and Deficits

	Notes	2009 £'000	2008 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax	12	(324)	(31)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	77	77
Realisation of property revaluation gains of previous years	19	-	-
Historical cost (deficit)/surplus for the year after taxation		<u>(247)</u>	<u>46</u>

Statement of Total Recognised Gains and Losses

	Notes	2009 £'000	2008 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax	12	(324)	(31)
Unrealised surplus on revaluation of fixed assets	13	-	-
Actuarial loss in respect of pension scheme	27	(1,220)	(580)
Total recognised losses since last report		<u>(1,544)</u>	<u>(611)</u>
Reconciliation		2009 £'000	2008 £'000
Opening reserves		4,544	5,155
Total recognised (losses) relating to the year		(1,544)	(611)
Closing reserves		<u>3,000</u>	<u>4,544</u>

Balance Sheet as at 31 July 2009

	Notes	2009 £'000	2008 £'000
Fixed Assets			
Tangible assets	13	<u>12,468</u>	<u>11,183</u>
Current Assets			
Stock		3	2
Debtors	14	505	930
Cash at bank and in hand		<u>1,539</u>	<u>547</u>
Total current assets		<u>2,047</u>	<u>1,479</u>
Less: Creditors amounts falling due within one year	15	<u>1,348</u>	645
Net current assets		<u>699</u>	<u>834</u>
Total assets less current liabilities		<u>13,167</u>	12,017
Less: Creditors amounts falling due after one year	16	1,413	941
Less: Provisions for liabilities and charges	17	385	377
Net assets excluding pension liability		<u>11,369</u>	<u>10,699</u>
Net pension liability	27	<u>(3,670)</u>	<u>(2,360)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>7,699</u>	<u>8,339</u>
Deferred capital grants	18	<u>4,699</u>	<u>3,795</u>
Reserves			
Income & expenditure account excluding pension reserve	20	2,232	2,389
Pension reserve	27	<u>(3,670)</u>	<u>(2,360)</u>
Income & expenditure account including pension reserve		<u>(1,438)</u>	29
Revaluation reserve	19	<u>4,438</u>	<u>4,515</u>
Total Reserves		<u>3,000</u>	<u>4,544</u>
TOTAL		<u>7,699</u>	<u>8,339</u>

The financial statements on pages 17 to 39 were approved by the Governing Body on 10 December 2009 and were signed on its behalf by:

Chairman
R. Kirby

Principal
N. Bennett

Date: 10.12.09

Date: 10.12.09

Cash Flow Statement

	Notes	2009 £'000	2008 £'000
Cash inflow from operating activities	21	794	490
Returns on investments and servicing of finance	22	(13)	(20)
Taxation	11	-	-
Capital expenditure and financial investment	23	(306)	(544)
Management of liquid resources	24	-	-
Financing	25	517	(1)
Increase/(decrease) in cash for the period		<u>992</u>	<u>(75)</u>
 Reconciliation of net cash flow to movement in net funds/(debt)			
Increase/(decrease) in cash for the period		992	(75)
Change in net (debt)/funds resulting from cash flows	26	(517)	1
Net debt at 1 August	26	(426)	(352)
Net funds/(debt) at 31 July		<u>49</u>	<u>(426)</u>

Notes to the Financial Statements

1. Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the statement of recommended practice (SORP): *Accounting in Further and Higher Education Institutions* and in accordance with applicable Accounting Standards. They conform to guidance published by the Welsh Assembly Government in Bulletins & Circulars.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Recognition of income

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs.

Recurrent grants from the Welsh Assembly Government are recognised in the period in which they are receivable.

Non-recurrent grants from the Welsh Assembly Government or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of State Earnings-Related Pension Scheme (SERPS).

Contributions to the TPS are charged to the income and expenditure 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 quinquennial valuations using a prospective benefit method.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

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 and expenditure account 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 Welsh Assembly Government.

Tangible fixed assets

Land and Buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost. Land and buildings acquired since incorporation are included in the balance sheet at cost or valuation. Operational assets of a non-specialised nature have been valued at market value as they could one day be disposed of. Freehold land is not depreciated. Freehold buildings (except demountables) are depreciated over their expected useful economic life to the college of 50 years. Demountable buildings are depreciated over their expected useful economic life to the College of 20 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

The latest valuation took place on 31 July 2006 by Stephenson & Alexander, Chartered Surveyors.

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.

Subsequent expenditure on fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Buildings owned by third parties

Where land and buildings are used but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit. These assets are then depreciated over their expected useful economic life.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Equipment

Equipment costing more than £1,000 individually or collectively (due to the quantity of related purchases in the year) are capitalised at cost.

Equipment costing less than £1,000 per individual item is written off to the Income and Expenditure Account in the period of acquisition.

Equipment is depreciated over its useful economic life as follows:

Motor Vehicles and Computer equipment	25% per annum
Fixtures and fittings	20% per annum
Heavy Plant and Machinery	10% per annum

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account, released to income and expenditure account over the expected useful economic life of the related equipment.

Lease assets

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Maintenance of premises

The College has a ten year rolling long term maintenance plan, which forms the basis of the ongoing maintenance of the estate. The cost of the long term and routine corrective maintenance is charged to the income and expenditure account as incurred

Notes to the Financial Statements (continued)**1. Accounting policies (continued)****Taxation**

The College is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 as amended by the Charities Act 2006 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act (ICTA) 1998. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1998 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of VAT. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

Deferred taxation

Deferred Taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Provisions

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.

Agency arrangements

The College acts as an agent in the collection and payment of Financial Contingency Funds. Related payments received from the Welsh Assembly Government and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 33, except for the 3 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Notes to the Financial Statements (continued)**2. Welsh Assembly Government grants**

	2009 £'000	2008 £'000
Recurrent Grant	9,385	8,578
Work Based Learning	526	532
<i>Releases of deferred capital grants</i>		
Land & Buildings	54	38
Equipment & Fixtures	410	365
	10,375	9,513

3. Tuition fees and education contracts

	2009 £'000	2009 £'000
Tuition fees	251	240
Education contracts	250	186
	501	426

4. Research grants and contracts

No income was earned from Research Grants or related contracts

5. Other income

	2009 £'000	2008 £'000
Catering Operations	380	353
Other income generating activities	18	172
Other grant income	1,239	1,637
Releases from deferred capital grants (non-Welsh Assembly)	32	32
Other income	507	500
	2,176	2,694

6. Endowment and investment income

	2009 £'000	2008 £'000
Other interest receivable	16	46
	16	46
Pension finance income (note 27)	-	-
	16	46

Notes to the Financial Statements (continued)**7. Staff costs**

The average monthly number of persons (including higher paid employees) employed by the College during the year, expressed as full-time equivalents was:

	2009 Number	2008 Number
Teaching staff	210	213
Non teaching staff	97	104
	<u>307</u>	<u>317</u>

Staff costs for the above persons

	2009 £'000	2008 £'000
Wages and salaries	8,188	7,851
Social security costs	602	571
Other pension costs (including FRS 17 adjustments of £(40,000); 2007/08: £50,000)	1,031	1,068
	<u>9,821</u>	<u>9,490</u>
Exceptional restructuring costs	233	-
	<u>10,054</u>	<u>9,490</u>

The number of senior post-holders and other staff who received emoluments, including pension contributions and benefits in kind, in the following ranges was:

	Senior post-holders		Other staff	
	2009 Number	2008 Number	2009 Number	2008 Number
£60,001 to £70,000	-	-	-	-
£70,001 to £80,000	1	3	-	-
£80,001 to £90,000	2	-	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	-	1	-	-
£110,001 to £120,000	1	-	-	-
	<u>4</u>	<u>4</u>	<u>-</u>	<u>-</u>

8. Senior post-holders' emoluments

Senior post-holders are defined as the Principal and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2009 No.	2008 No.
The number of senior post-holders including the Principal was:	<u>4</u>	<u>4</u>

Notes to the Financial Statements (continued)**8. Senior post-holders' emoluments (continued)**

Senior post-holders' emoluments are made up as follows:

	2009	2008
	£'000	£'000
Salaries	307	284
Employers pension contribution	45	42
Benefits in kind	8	7
Total emoluments	<u>360</u>	<u>333</u>

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

	2009	2008
	£'000	£'000
Salaries	97	91
Benefits in Kind	8	7
	<u>105</u>	<u>98</u>
Pension contributions	<u>13</u>	<u>12</u>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and are paid at the same rate as for other employees.

The Principal and senior post holders' receive a pay award as determined by the Governing Body.

The members of the Governing Body other than the Principal did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. During the year no emoluments were due or waived and no compensation was paid for loss of office.

Overseas Activities

The following costs were incurred during the year ended 31 July 2009 in respect of overseas activities which were carried out in accordance with the strategy approved by the Governing Body:

	Travel and Accommodation	Subsistence and Hospitality	Other Costs	Number of Visits
	£'000	£'000	£'000	
Governors	-	-	-	-
Senior Post Holders	-	-	-	-
Other Individuals	14	4	-	22
	<u>14</u>	<u>4</u>	<u>-</u>	<u>22</u>

Notes to the Financial Statements (continued)**9. Other operating expenses**

	2009	2008
	£'000	£'000
Teaching costs	1,377	1,467
Non teaching costs	515	510
Premises costs	651	507
	<u>2,543</u>	<u>2,484</u>

Other operating expenses include:

	2009	2008
	£'000	£'000
Auditors' remuneration		
- financial statements audit	18	18
- internal audit	10	10
- Other services provided by the financial statements auditors	3	6
- Other services provided by the internal auditors	-	-
Hire of other assets – operating leases	<u>77</u>	<u>77</u>

10. Interest payable and other finance costs

	2009	2008
	£'000	£'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years by instalments	-	-
Repayable wholly or partly in more than 5 years	<u>29</u>	<u>58</u>
	29	58
Pension finance costs (note 27)	130	30
	<u>159</u>	<u>88</u>

11. Taxation

The members do not believe the College was liable for any corporation tax arising out of its activities during this year.

12. Deficit on continuing operations for the year

The deficit on continuing operations for the year is made up as follows:

	2009	2008
	£'000	£'000
College's deficit for the year	<u>(324)</u>	<u>(31)</u>

Notes to the Financial Statements (continued)

13. Tangible fixed assets

	Land & Buildings £'000	Equipment £'000	Fixtures £'000	Motor Vehicles £'000	Total £'000
Cost or valuation					
At 1 August 2008	10,780	1,727	1,478	42	14,027
Additions	1,491	239	191	-	1,921
Disposals	-	(16)	(50)	-	(66)
At 31 July 2009	12,271	1,950	1,619	42	15,882
Depreciation					
At 1 August 2008	384	1,180	1,238	42	2,844
Charge for the year	216	305	115	-	636
Eliminated on disposal	-	(16)	(50)	-	(66)
At 31 July 2009	600	1,469	1,303	42	3,414
Net book value at 31 July 2009	11,671	481	316	-	12,468
Net book value at 31 July 2008	10,396	547	240	-	11,183
Inherited	2,865	-	-	-	2,865
Financed by capital grant	4,338	153	208	-	4,699
Other	4,468	328	108	-	4,904
	11,671	481	316	-	12,468

Land and buildings were valued in 2006 at depreciated replacement cost by a firm of independent chartered surveyors. However, within Land & Buildings non-specialised assets have been valued at market value Of £420,100.

Other tangible fixed assets inherited from the Local Authority at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and Buildings with a net book value of £7,203,000 have been financed from LEA, Welsh Assembly Government or ERDF funds, through for example the receipt of capital grants. Should these assets be sold, the College would either have to surrender the sale proceeds to the Welsh Assembly Government or the European Regional Development or use them in accordance with the financial memorandum with the Welsh Assembly Government.

Notes to the Financial Statements (continued)

14. Debtors

	2009 £'000	2008 £'000
Amounts falling due within one year:		
Trade debtors	79	50
Prepayments and accrued income	426	878
VAT debtor	-	2
	<u>505</u>	<u>930</u>

15. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Bank Loan and Mortgage	77	32
Payments in advance	53	37
Trade Creditors	673	215
Other Creditors	148	141
Other taxation and social security	213	173
Accruals	184	47
	<u>1,348</u>	<u>645</u>

16. Creditors: amounts falling due after more than one year

	2009 £'000	2008 £'000
Loans – Lloyds TSB	1,413	941
	<u>1,413</u>	<u>941</u>

Bank loans and overdrafts are repayable as follows:

	2009 £'000	2008 £'000
In one year or less	77	32
Between one and two years	77	34
Between two and five years	237	113
In five years or more	1,099	794
	<u>1,490</u>	<u>973</u>

The loan with the Lloyds TSB is unsecured. Interest is payable at 0.35% above base rate.

Notes to the Financial Statements (continued)**17. Provisions for liabilities and charges**

	Enhanced Pensions	
	2009	2008
	£'000	£'000
As at 1 August 2008	377	356
Utilised in the year	(25)	(25)
Transferred from income and expenditure account	33	46
As at 31 July 2009	<u>385</u>	<u>377</u>

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

The principal assumptions for this calculation are:

	2009	2008
Price inflation	2.97%	3.92%
Discount rate	1.92%	1.95%

18. Deferred capital grants

	Welsh Assembly Government		European Regional Dev. Fund		Other		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2008	2,661	2,278	958	986	176	180	3,795	3,444
Cash received	1,400	786	-	-	-	-	1,400	786
Released to income and expenditure account	(464)	(403)	(28)	(28)	(4)	(4)	(496)	(435)
As at 31 July 2009	<u>3,597</u>	<u>2,661</u>	<u>930</u>	<u>958</u>	<u>172</u>	<u>176</u>	<u>4,699</u>	<u>3,795</u>

Other deferred capital grants relate to (i) a grant from the Welsh Assembly Government (WDA) for a land reclamation project adjacent to the Belgrave Road campus (ii) a grant from the City and County of Swansea for the refurbishment and capital equipment for the Lifelong Learning Centre at Alexandra Road

19. Revaluation reserve

	2009	2008
	£'000	£'000
At 1 August 2008	4,515	4,592
Revaluations in the year	-	-
Disposals in the year	-	-
Transferred to Income & Expenditure Account	(77)	(77)
At 31 July 2009	<u>4,438</u>	<u>4,515</u>

Notes to the Financial Statements (continued)

20. Movement on general reserves

Income and expenditure account reserve	2009 £'000	2008 £'000
At 1 August 2008	2,389	2,263
(Deficit)/surplus for the year prior FRS 17 adjustments	(234)	49
Transferred from revaluation reserve	77	77
At 31 July 2009	<u>2,232</u>	<u>2,389</u>
Pension Reserve	2009 £'000	2008 £'000
At 1 August 2008	(2,360)	(1,700)
FRS 17 movements	(1,310)	(660)
At 31 July 2009	<u>(3,670)</u>	<u>(2,360)</u>

21. Reconciliation of operating deficit to net cash inflow from operating activities

	2009 £'000	2008 £'000
Operating deficit	(324)	(31)
Depreciation (note 13)	636	648
Deferred capital grants released to income (note 18)	(496)	(435)
Surplus on disposal of tangible fixed assets	-	-
Interest payable (note 10)	29	58
Pension cost less contributions payable (notes 7,10,27)	90	80
(Increase)/decrease in stock	(1)	1
(Increase)/decrease in trade debtors	(29)	72
Decrease in prepayments and accrued income	477	77
Decrease/(increase) in VAT debtor	2	(2)
Increase in payments in advance	16	37
Increase in trade creditors	218	6
Increase/(decrease) in other taxation and social security	40	(20)
Increase in other creditors	7	17
Increase in accruals	137	7
Increase in provisions	8	21
Interest receivable (note 6)	(16)	(46)
Net cash inflow from operating activities	<u>794</u>	<u>490</u>

22. Returns on investment and servicing of finance

	2009 £'000	2008 £'000
Other interest received	16	46
Interest paid	(29)	(66)
Net cash outflow from returns on investments and servicing of finance	<u>(13)</u>	<u>(20)</u>

Notes to the Financial Statements (continued)**23. Capital expenditure and financial investment**

	2009	2008
	£'000	£'000
Purchase of tangible fixed assets	(1,681)	(1,200)
Deferred capital grants received	1,375	656
Net cash outflow from capital expenditure and financial investment	<u>(306)</u>	<u>(544)</u>

24. Management of liquid resources

	2009	2008
	£'000	£'000
Sale of Investments	-	-
Withdrawal from deposits	-	-
Purchase of investments	-	-
Placing of deposits	-	-
Movement in endowment assets	-	-
	<u>-</u>	<u>-</u>

25. Financing

	2009	2008
	£'000	£'000
New unsecured loan	-	996
Additional draw down of existing loan	577	-
Capital element of Bank Loan repayment	(60)	(997)
Net cash inflow/(outflow) from financing	<u>517</u>	<u>(1)</u>

26. Analysis of changes in net funds

	At 1st August 2008 £'000	Cash Flows £'000	At 31st July 2009 £'000
Cash in hand and at bank	547	992	1,539
Bank Loan	(973)	(517)	(1,490)
Total	<u>(426)</u>	<u>475</u>	<u>49</u>

Notes to the Financial Statements (continued)**27. Pension and similar obligations**

The College's employees belong to two principal pension schemes, the Teachers' Pensions Scheme England and Wales (TPS) for academic and related staff; and Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the City & County of Swansea. Both are defined benefit schemes.

Total pension cost for the year	2008/09 £'000	2007/08 £'000
Teachers Pension Scheme: contributions paid	698	622
Local Government Pension Scheme:		
Contributions paid	340	350
FRS 17 charge	(40)	50
Charge to the Income and expenditure account (staff costs)	300	400
Enhanced pension charge to Income and expenditure account	33	46
Total pension cost for year	<u>1,031</u>	<u>1,068</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the TPS and the LGPS 31 March 2004. Contributions amounting to £126,000 (2008: £112,000) were payable to the scheme at 31st July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates.

The pensions cost is normally assessed no less than every four years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective Benefits
Investment returns per annum	6.5% per annum
Salary scale increases per annum	5.0% per annum
Market value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	98.88%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the government actuary carried out a further review on the level of employers' contributions. For the period from 1 August 2008 to 31 July 2009 the employer contribution was 14.1%. The employee rate was 6.4% for the same period. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

FRS 17

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Notes to the Financial Statements (continued)**27. Pension and similar obligations (continued)**

Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31st July 2009 was £454,000 of which employers contributions totalled £340,000 and employees' contributions totalled £114,000. The agreed contribution rates for future years are 18.6% for employers. The rate for employee contributions is based on their whole-time equivalent pay:

Range 1 st April 2009 to 31 st March 2010	Contribution Rate	Range 1 st April 2008 to 31 st March 2009	Contribution Rate
Up to £12,600	5.5%	Up to £12,000	5.5%
£12,601 to £14,700	5.8%	£12,001 to £14,000	5.8%
£14,701 to £18,900	5.9%	£14,001 to £18,000	5.9%
£18,901 to £31,500	6.5%	£18,001 to £30,000	6.5%
£31,501 to £42,000	6.8%	£30,001 to £40,000	6.8%
£42,001 to £78,700	7.2%	£40,001 to £75,000	7.2%
Over £78,700	7.5%	Over £75,000	7.5%

FRS 17**Principal Actuarial Assumptions**

	At 31 July 2009	At 31 July 2008	At 31 July 2007
Inflation assumption	3.7%	3.8%	3.3%
Rate of increase in salaries	5.2%	5.3%	4.8%
Rate of increase for pensions in payment	3.7%	3.8%	3.3%
Rate of increase to deferred pensions	3.7%	3.8%	3.3%
Discount rate for scheme liabilities	6.0%	6.5%	5.7%

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 2009	At 31 July 2008
Retiring today		
Males	21.5	20.6
Females	23.5	22.7
Retiring in 20 years		
Males	23.7	22.5
Females	25.7	23.9

Notes to the Financial Statements (continued)

27. Pension and similar obligations (continued)

The College's share of the assets and liabilities in the City and County of Swansea Pension Fund and the expected rates of return are detailed below:

	Long-term rate of return expected at 31 July 2009	Estimated Value at 31 July 2009 £'000	Long-term rate of return expected at 31 July 2008	Estimated Value at 31 July 2008 £'000	Long-term rate of return expected at 31 July 2007	Estimated Value at 31 July 2007 £'000
Equities	8.0%	3,238	7.8%	2,914	7.9%	3,231
Property	7.0%	169	6.8%	-	6.9%	-
Government Bonds	4.5%	720	4.8%	780	4.9%	549
Corporate Bonds	5.9%	-	6.5%	73	5.7%	138
Cash/Other	0.9%	433	5.9%	543	6.0%	402
Total Market Value of Assets		<u>4,560</u>		<u>4,310</u>		<u>4,320</u>
Present Value of Scheme Liabilities		<u>(8,230)</u>		<u>(6,670)</u>		<u>(6,020)</u>
(Deficit) in the Scheme		<u>(3,670)</u>		<u>(2,360)</u>		<u>(1,700)</u>

Analysis of the amount credited/(charged) to income and expenditure account

	2009 £'000	2008 £'000
Employer service credit/(cost) (net of employee contributions)	40	20
Past service cost	-	(70)
Total operating credit/(charge)	<u>40</u>	<u>(50)</u>

Analysis of pension finance income/(costs)

	2009 £'000	2008 £'000
Expected return on pension scheme assets	310	320
Interest on pension liabilities	(440)	(350)
Pension finance costs	<u>(130)</u>	<u>(30)</u>

Amount recognised in the statement of total recognised gains and losses (STRGL)

	2009 £'000	2008 £'000
Actual return less expected return on pension scheme assets	(410)	(690)
Experience gains and losses arising on the scheme liabilities	(20)	(70)
Change in financial and demographic assumptions underlying the scheme liabilities	(790)	180
Actuarial loss recognised in STRGL	<u>(1,220)</u>	<u>(580)</u>

Notes to the Financial Statements (continued)**27. Pension and similar obligations (continued)****Movement in deficit during year**

	2009	2008
	£'000	£'000
Deficit in scheme at 1 August 2008	(2,360)	(1,700)
Movement in year:		
Current service charge	(300)	(330)
Contributions	340	350
Past service costs	-	(70)
Net interest/return on assets	(130)	(30)
Actuarial (loss)	(1,220)	(580)
Deficit in scheme at 31 July 2009	<u>(3,670)</u>	<u>(2,360)</u>

Asset and Liability Reconciliation

	2009	2008
	£'000	£'000
Reconciliation of Liabilities		
Liabilities at start of period	6,670	6,020
Service cost	300	330
Interest cost	440	350
Employee contributions	114	110
Experience gains and losses on scheme liabilities	20	70
Actuarial loss/(gain)	790	(180)
Benefits paid	(104)	(100)
Past Service cost	-	70
Curtailments and settlements	-	-
Liabilities at end of period	<u>8,230</u>	<u>6,670</u>
	2009	2008
	£'000	£'000
Reconciliation of Assets		
Assets at start of period	4,310	4,320
Expected return on assets	310	320
Actuarial (loss)	(410)	(690)
Employer contributions	340	350
Employee contributions	114	110
Benefits paid	(104)	(100)
Assets at end of period	<u>4,560</u>	<u>4,310</u>

The estimated value of employer contributions for the year ended 31st July 2010 is £344,000.

Notes to the Financial Statements (continued)**27. Pension and similar obligations (continued)****History of experience gains and losses**

	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on assets:					
Amount £'000	(410)	(690)	180	150	320
% of scheme assets	(9.0)%	(16.0)%	4.2%	4.2%	10.8%
Experience gains and losses on scheme liabilities:					
Amount £'000	(20)	(70)	(10)	(10)	-
% of scheme liabilities	(0.2)%	(1.0)%	(0.2)%	(0.2)%	0%
Total amount recognised in STRGL					
Amount £'000	(1,220)	(580)	470	(50)	(120)
% of scheme liabilities	(14.8)%	(8.7)%	7.8%	(0.9)%	(2.5)%

28. Post balance sheet events

The Merger between Gorseinon and Swansea Colleges continues to progress well. As a result of the merger, both College corporations will be dissolved and a new legal entity established. In September 2009, public consultation took place and in October 2009 the Strategic Outline Case (SOC) for merger was submitted to DCELLS for their consideration. In addition, a Shadow Board has been established with both new members and members from the existing Governing Bodies.

In the coming months the anticipated timetable is as follows:

December 2009	DCELLS consider formal proposal (SOC)
January 2010-March 2010	Draft order to establish the new College is published. Consultation Period takes place, lasting 40 days.
April 2010 – June 2010	Establishment Order and Government Regulations are laid and come into force, new College is established.
July 2010	The Dissolution Orders are laid and the existing Colleges are dissolved.
1 st August 2010	New legal entity formed. Assets and liabilities transferred. Staff TUPE to new College.

In addition to the merger, both colleges are investigating the feasibility of a new City Centre site which would replace Swansea College's current estate. Consultants have been appointed to put together an Outline Business Case (OBC) to identify the appropriate course of action for the new College and this report is expected to be completed in early 2010.

29. Capital commitments

	2009	2008
	£'000	£'000
Commitments contracted for at 31 July	65	1,624

These relate to orders made for equipment in relation to the Student Services and Motor Vehicle Workshop and computer equipment (2007/08: Student Services Centre and Motor Vehicle Workshop, computers and several refurbishment projects).

Notes to the Financial Statements (continued)**30. Contingent liability**

There are no contingent liabilities that require disclosure.

31. Related party transactions

There were no related party transactions during the year

32. Financial commitments

At 31 July 2009 the College had annual commitments under non-cancellable operating leases as follows:

	2009		2008	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Expiring within one year	-	5	-	-
Expiring within two and five years inclusive	50	23	50	19
Expiring in over five years	-	-	-	-
	<u>50</u>	<u>28</u>	<u>50</u>	<u>19</u>

33. Amounts disbursed as agent

Financial Contingency Funds	2009 £'000	2008 £'000
Welsh Assembly Government grant	144	157
Interest earned	1	1
	<u>145</u>	<u>158</u>
Disbursed to students	(145)	(158)
Balance unspent at 31 July	<u>-</u>	<u>-</u>

Welsh Assembly Government Financial Contingency Fund grants are available solely for students; the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income & Expenditure Account.