

GATESHEAD COLLEGE

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

GATESHEAD COLLEGE

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Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Executive Team and were represented by the following in 2016/17:

- Judith Doyle, Principal and CEO; Accounting officer
- Chris Toon, Deputy Principal – Curriculum and Quality;
- John Holt, Deputy Principal – Operations and Finance;
- Ivan Jepson, Director of Business Development;
- Mark Thompson, Director of People and Organisational Development;
- Nadine Hudspeth, Director of Marketing and Communications;
- John Gray, Director of Student Experience.

Board of Governors

A full list of Governors is given on page 13-14 of these financial statements. Bond Dickinson acted as clerk to the corporation throughout the period.

Professional Advisers

Financial Statements, Auditors and Reporting Accountants:

RSM UK Audit LLP
1 St. James Gate
Newcastle upon Tyne
NE1 4AD

Internal Auditors:

PriceWaterhouseCoopers LLP
89 Sandyford Road
Newcastle upon Tyne
NE1 8HW

Bankers:

Barclays Bank
Grey Street
Newcastle upon Tyne
NE99 1JP

Lloyds Bank
17 Ellison Walk
Gateshead
NE8 1BF

Solicitors:

Square One Law
Anson House
Burdon Terrace
Newcastle upon Tyne
NE2 3AE

Eversheds
Central Square south
Orchard Street
Newcastle upon Tyne
NE1 3XX

Bond Dickinson
St Anne's Wharf
112 Quayside
Newcastle upon Tyne
NE99 1SB

GATESHEAD COLLEGE

REPORT OF THE GOVERNING BODY

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

1. The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Gateshead College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Corporation Name

2. The Corporation was incorporated as Gateshead Technical College. On 1 October 2001, the Secretary of State granted consent to the Corporation to change the College's name to Gateshead College.

Mission

3. The College's mission as approved by its members is to provide an identifiable public benefit by: "To shape and nurture the most highly prized students in the jobs market"

Public Benefit

4. Gateshead College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 13 - 14.

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.
- Links with Local Enterprise Partnerships (LEP's)

Implementation of strategic plan

5. The College annually prepares a rolling three year strategic plan, including an accommodation strategy and financial forecasts. The corporation monitors the performance of the College against these plans. The College's overarching strategic principles in 2016-2019 Strategic Plan are:
 1. Highest Quality of Teaching & Learning and Student Outcomes: We will build on the very high standards which resulted in our Outstanding Ofsted judgement to ensure our students have an excellent learning experience, fulfil their potential and leave us with the skills, confidence and work ethic needed for a successful career. This will be achieved by:
 - Ensuring there is clear accountability for student outcomes with every teacher and manager understanding their personal responsibilities for this.

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- Only accepting the highest standards of performance from our teachers and managers.
 - Providing a truly supportive learning environment and a personalised experience for every student.
 - Offering courses that lead to jobs, a curriculum that is fit for purpose and informed by industry. Working with employers and our school partners, we will develop products that provide the pipeline of talent to meet regional skills needs.
 - Continuing to stretch our students to ensure their core of English, mathematics and digital skills are well developed and support their employment and life chances.
 - Ensuring that every student has a career plan, benefits from inspirational, relevant work experience and from opportunities to develop and apply their entrepreneurial skills and ambitions.
2. High Performance Culture: We will develop our high performance culture, where expectations are clear and standards high. People will be accountable for what they do and their achievements recognised. They will be supported and developed so they can fulfil their potential and that of our students and can make a positive impact on the performance of the business. This will be achieved by:
- Ensuring everyone lives up to our values in the way they go about their business on a day to day basis, we will not accept anything less.
 - Further embedding our culture of performance management; improving our processes and further driving up standards through a relentless focus on "outstanding" performance of all staff for the benefit of our students and stakeholders.
 - Further developing our employee engagement strategy so together we can make the college an even better place to work and study.
 - Investing in the development of our people.
 - Ensuring we have the right succession plans in place to secure the sustainability of our organisation.
 - Creating a working environment where people are valued and inspired to work together with focus, commitment and passion
3. Exceptional Services and Customer Experience: We will provide services and customer experiences which surpass the expectations and needs of our students, employers and stakeholders and which are seen as the best in the sector. This will be achieved by:
- Further developing our excellent Careers Service, embedding it across the organisation and collaborating with others to influence the improvement of careers guidance across and beyond the region.
 - Providing an exceptionally safe environment for all; embracing our duties relating to Safeguarding, Prevent, and Promotion of British Values so we continue to be seen as an exemplar of outstanding practice.
 - Setting out standards and expectations for consistently outstanding service, developing the skills and behaviours of our people and rewarding excellent practice.
 - Improving and developing our systems and processes around the needs of the customer, proactively using their feedback to shape what we do.
4. Growing our Business: We will grow our business securing greater market share and an even stronger reputation for delivering what employers need. We want to be the college of choice; trusted by students and by industry to provide informed, expert advice and the highest quality of education and training. This will be achieved by:
- Focussing on growing the areas which are aligned to regional priorities specifically developing Apprenticeships and wider skills provision, ensuring our resources are best deployed to deliver maximum return on our investment. These areas are:
 - 1) Advanced Manufacturing
 - 2) Automotive
 - 3) Health and Social Care
 - 4) Creative and Digital
 - 5) Business and Professional Services
 - 6) Building Services
 - 7) Sport and Leisure

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- Ensuring we provide the highest quality Apprenticeship provision and services which are responsive, flexible and differentiated to meet the individual needs of our customers.
 - Working with employers to develop higher level skills capability in the workforce.
 - Working in partnership with employers, schools and stakeholders to ensure there are pathways from primary school age up to higher skills and that all young people have the chance and aspiration to secure the best career for themselves.
 - Delivering a curriculum which is aligned to employers' skills needs and the career opportunities in the region, and which meets the aspirations of our students.
 - Improving business processes – ensuring they are smart, efficient, customer focused and deliver exceptional value for all stakeholders.
 - Remaining at the forefront of any future skills policy reform, using our position and expertise to respond quickly and support our employers in the continued development of their workforce.
5. Sustainability: We will run our organisation effectively and efficiently and maintain our financial health so we can continue to invest in our future, ensuring we have the best people, resources and facilities for each and every student. This will be achieved by:
- Positioning the college on a national level, well placed to influence policy and achieve successful economic prosperity for our region.
 - Ensuring our financial and business services are agile, responsive and resilient in the changeable financial and political climate.
 - Providing a high quality, first class estate which is aligned to curriculum needs and cost effective.
 - Investing in IT infrastructure, facilities and services for students to ensure their experience is outstanding.
 - Ensuring we remain in exceptional financial health, diversifying income, embracing innovation and ensuring that resources and funding are carefully targeted to ensure the greatest impact on the regional economy.
 - Operating responsibly and ethically as a business, always doing the right things in the right way.
6. Achieve and maintain an Ofsted grade of Good or better: Gateshead College was inspected by Ofsted in June 2015, and achieved a Grade 1 Outstanding rating overall. The College was one of only 2 FE Colleges to achieve this status in the 2014/15 Academic Year. Underpinning the overall effectiveness assessment of outstanding, the college received the following grades:
- Outcomes for Learners was graded outstanding
 - Quality of Teaching, Learning and Assessment was graded outstanding
 - Effectiveness of Leadership & Management was graded outstanding
 - All Curriculum areas inspected, were graded either good or outstanding.

Financial Objectives:

- To achieve income target of £50.2m for 2017/18, and a surplus of £1.97m.
- To maintain financial health as good to the period 31 July 2018, with the financial health score increasing to at least 220 out of 300.
- To achieve financial management self-assessment grade of good over the period of the plan
- To maintain financial capability to self-fund future capital investments, including new or development of current accommodation

Financial Objectives 2016/17

- To generate turnover of £36.4m – Achieved at £41.3m
- To generate a surplus of £41,000 – Not achieved, deficit of £255,000.
- To generate a current ratio greater than 1 at 31 July 2017 – Achieved at 1.32

Performance Indicators

6. The College uses the following Key Performance Indicators (KPI's) to measure its performance internally, and benchmark against other FE providers nationally:

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- **Learner Success Rates:** Gateshead College achieved an overall learner success rate of 94.1% for the year to 31 July 2017 (2016: 91.9%), an increase on its target of 1.1% and national rate by 12%.
- **Financial Health Score:** Gateshead College achieved its targeted Financial Health Score overall of Good in the year to 31 July 2017, with a score of 190 (2016: Score of 200)
- **Delivery against funding targets:** Gateshead College achieved all its funding body contract targets in the year to 31 July 2017.
- **Destinations:** Of the destinations collected so far for 2016/17, 94.2% have a positive destination either into employment or continuing with education (2015/16: 95.6%).
- **Employer Engagement:** The most recent FE Choices employer satisfaction data shows Gateshead scoring 76.6 under the new scoring system, below the sector average of 84.6.
- **Learner Satisfaction:** The 2016/17 FE Choices learner survey shows a learner satisfaction score for the College of 91.2, above the sector average of 80.9.
- **Employee Satisfaction:** The College staff survey in the year to 31 July 2017, showed a score of 7.3 out of 10 overall employee satisfaction score using the new survey provider HIVE. This is no longer comparable to the AoC national benchmark.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("EFSA"). The College is assessed by the Education and Skills Funding Agency as having a "Good" financial health grading.

FINANCIAL POSITION

Financial results

7. The consolidated operating deficit in the year was (£255,000) (2015/16: £30,000). During the year, £319,000 of staff restructuring costs were incurred (2015/16 £765,000), interest charges (net of the pension finance costs) of £394,000 (2015/16 £420,000).
8. The College has accumulated consolidated reserves of £16,716,000 excluding pension reserve (2015/16 - £15,111,000 excluding pension reserve) and consolidated cash balances including short-term investments of £5,403,000 (2015/16 - £6,749,000). The College wishes to continue to accumulate reserves and cash balances to fund further capital developments, and to reduce long-term loans.
9. The College's portfolio of subsidiary companies consists of Amacus Limited, North East Apprenticeship Company Limited, the Gateshead College Foundation, Zero Carbon Futures (North) Limited, Zero Carbon Futures (UK) Limited and Gateshead Sport Management (Malaysia) SDN.BHD.

Amacus Limited's primary operating activity was originally the delivery of Leadership and Management training, but now have developed a specialty in delivering employability qualifications to unemployed candidates. Amacus Limited continued to trade normally throughout the Financial Year to 31 July 2017.

The North East Apprenticeship Company Limited (hereafter referred to as NEAC) was registered on 12th February 2010, its primary operating activity is to engage with local SME's to create new work placement opportunities for apprentices, and to support their apprentices enabling them to complete their qualification and find appropriate full-time employment. NEAC continued to trade normally throughout the Financial Year to 31 July 2017.

Gateshead College Foundation was incorporated on 18th April 2011. This charitable organisation was established to provide financial support to students to ensure their studies are not impacted by personal hardship. The College initially donated £1m of start-up funds, but was unable to donate in the year to 31st July 2017 due to surplus being below the minimum threshold in 2015/16. The College has pledged to donate a further 1% of its surplus each year above a minimum threshold.

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Zero Carbon Futures (UK) Limited was incorporated on the 29th June 2011, this company's primary purpose is to establish the College's reputation as one of the leading providers of Electric Vehicle and Sustainable Manufacturing training in the UK. Zero Carbon Futures (UK) Limited continued to trade normally throughout the Financial Year to 31 July 2017.

Zero Carbon Futures (North) Limited was incorporated on 17th November 2011, its primary purpose was to house the 'Plugged in Places' project previously operated by the now closed Regional Development Agency ONE North East. This project is now complete.

On the 15th May 2014 Gateshead College setup a company based in Malaysia called Gateshead Sport Management (Malaysia) SDN.BHD. This company was setup to manage a Sports Stadium contract in EduCity in Malaysia, as an initial step in Gateshead College's international strategy in Asia. This company did not trade in the year to 31 July 2017.

10. Tangible fixed asset additions to the group during the year totalled £1,086,000 which represented the ongoing update of facilities and equipment at all College campuses.
11. The College has significant reliance on the Educational Funding Agency (EFA) and Skills Funding Agency (SFA) for its principal funding sources, largely from recurrent grants. In 2016/2017 the EFA/SFA provided 75.9% of the College's total income.

Treasury Policies and Objectives

12. Treasury Management is the management of the College's cashflow, 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.

Cashflow

13. At £1,546,000 (2015/16 £1,789,000), operating cash flow is strong.

Liquidity

14. During the year, the College secured no additional short term borrowing but has repaid £481,000. The College has borrowings of £10,626,000 at 31 July 2017 (2015/16 £11,107,000).

The size of the College's total borrowings and its approach to interest rates have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During 2016/2017 the margin was comfortably exceeded.

Reserves Policy

15. The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities.

As at the balance sheet date the Group Income and Expenditure reserve stands at £16,716,000 (2016: £15,111,000), which includes funds held by Gateshead College Foundation of £1,165,702 at 31 July 2017. These funds are available for charitable distribution in accordance with the strategic purpose of the charity.

It is the Corporation's intention to increase reserves of the Group over the life of the strategic plan through the generation of annual operating surpluses.

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CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial health

Accommodation Developments

16. During the year to 31 July 2017 the College continued its strategy of reducing the size of its estate, in order to match the current capacity of its operations. There was one major development in the year to 31 July 2017:
- Long-term Lease of Construction Centre Phase 2: The development of the Construction Centre Phase 2 on the Team Valley, which included the extension to the original Skills Academy for Construction Building and the new Hub Building, have been leased to another firm located on the Team Valley 'Sevcon'.

Student Numbers

17. The College is funded according to the level of activity it generates each year. In 2016/17 the College exceeded its overall learner number targets for 16-18, Adult, Apprenticeships and HE. The fall in headcount in 2016/17, particularly in the 16-18 FE and 19+ FE areas, is due to both a reducing 16-18 demographic in the local region, and increased competition for learners due to the continued reduction in funding allocations.

Further Education	2015-2016	2016-2017	%+/-
	Headcount	Headcount	
16-18	2,397	2,383	-0.6%
19+	6,128	5,452	-11.0%
Total FE	8,525	7,835	-8.1%
Apprentices	Headcount	Headcount	
16-18	523	466	-10.9%
19+	3,577	3,953	10.5%
Total APPS	4,100	4,419	7.8%
Higher Education	Headcount	Headcount	
HE	556	518	-6.9%
European Social Funds (ESF)	Headcount	Headcount	
ESF	-	4,480	100%

18. In the FE sector growth continued to be influenced by the continued economic recession during the year to 31 July 2017.

Student Success Rates

19. Student success rates in 2016/17, particularly on long level programmes, remain very strong and above national benchmarks. Student success rates comfortably exceeded national targets due to continuous improvements in the College's key priority, student success on long level programmes

FE	2015-16 Actual %	2016-17 Actual %
Long course	87%	88%
Short course	94%	97%
All	92%	94%

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Curriculum Developments

20. The curriculum offer is reviewed and updated on a regular basis to ensure that provision meets the needs of learners and employers.
21. The quality of provision is evaluated through the annual self-assessment process. Emphasis is given to the continuous professional development of staff to ensure that teaching and learning, and service provision, improves year on year.

Payment Performance

22. 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. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2017 to 31 July 2017, the College endeavoured to pay its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Post-Balance Sheet Events

23. There are no post balance sheet events

Future Prospects

24. The UK Corporate Governance Code 2014 challenges companies to more stringently test its assumptions on 'Going Concern'. The College considers its 'Going Concern' position to be extremely strong over the next 36 months, making the following assumptions:
 - Financial Health Score: Gateshead College's Financial Health score has remained as 'Good' with a score of 190 in the year to 31 July 2017. The 3 Year financial plan approved by the Board of Governors, details how the College will improve its Financial Health to 'Outstanding' in the year to 31 July 2019.
 - Student Numbers: Student Numbers for students aged 16-18 for the year to 31 July 2017 have increased by at least 120. The impact of the College's Ofsted 'Outstanding' grade and strengthening links with Jewish Community in Gateshead have led to the increased student numbers.
 - Reliance on Funding: The College's reliance on EFA/SFA funding increased by 5% in the year to 31 July 2017. This increase is largely due to the College being successfully awarded and commencing, two European Social Funding (ESF) bids, one a £4.7m 'North Eastern Support for the Unemployed' programme, and another £10m 'North Eastern Employees Support in Skills' programme
 - Area Review: The College exited the Area Review process in an extremely strong position, retaining its status as the best performing College in the North East region in terms of student success rates and destinations.
 - Apprenticeship Reform: The college is at the forefront of Apprenticeship Reform and has already successfully ran pilot schemes, such as the Apprenticeship 'trailblazer' schemes in Dual Fuel and SMART Metering in conjunction with employers which include Northern Powergrid, G4S, AMEY and EDF. The College is delivering to over 500 new apprentices, having already signed agreements with large employers such as Greggs, Persimmon Homes and Braun Medical Limited.
 - European Social Funding (ESF): The College was informed during the year to 31 July 2016 that it had been successfully awarded two European Social Funding (ESF) bids, one a £4.7m 'North Eastern Support for the Unemployed' programme, and another £10m 'North Eastern Employees Support in Skills' programme. Significant progress was on both programmes during the year to 31 July 2017, and both run until June 2018.

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RESOURCES

25. The College has various resources that it can deploy in pursuit of its strategic objectives, which include six newly built campuses completed in the last nine years.
26. The College maintenance programme continued in the year to 31st July 2017, however there were no significant additional developments to any particular College Campus or Building.
27. The College undertook a programme during the year to 31st July 2017 to rationalise its estate, to strategically align it to the current size of the College's operations. This programme included the long-term lease to of the Hub Building and Phase 2 section of the Construction Centre on Team Valley to 'Sevcon'.

Financial

28. The Group has £16.7 million (2015/16 £15.1m) of net assets net of £14.6 million pension liability (2015/16 £15.5m) and borrowings of £10.6 million (2015/16 £11.1m).

People

29. The College employs 533 people (expressed as full time equivalents), of whom 319 are teaching staff (2016: 523 people of whom 315 were teaching staff)

Reputation

30. The College's reputation continues to grow both locally and nationally, the College was inspected by OfSTED June 2015 and was graded as outstanding.

PRINCIPAL RISKS AND UNCERTAINTIES:

31. 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.
32. 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.
33. 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:

- **Government Funding:** The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2016/17, 75% of the College's revenue was ultimately publicly funded 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.
The College is aware of several issues which may impact on future funding, including impacts of government policy change following both the EU Referendum, change in governmental funding priorities for education including the Apprenticeship Levy, outcomes from the FE Area Review process, increased competition from both public and private training providers, failure to maintain a

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good or outstanding classification from Ofsted or change in economic conditions causing reduced learners in curriculum areas of key strength.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
 - Maximising private sector income
 - 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 various funding bodies
 - Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Tuition Fee Policy: Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Gateshead College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College. This risk is mitigated in a number of ways:
 - By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
 - Close monitoring of the demand for courses as prices change
 - 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.
 - Failure to maintain the financial viability of the College: The College's current financial health grade is classified as 'Good' as described above. The overall score of 190 has fallen slightly compared to the previous year, largely a result of Pension Scheme actuarial charges causing both the Group and College into a Deficit in the year to 31 July 2017. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:
 - By rigorous budget setting procedures and sensitivity analysis
 - Regular in year budget monitoring
 - Robust financial controls
 - Exploring ongoing procurement efficiencies

STAKEHOLDER RELATIONSHIPS

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

- a. Students;
- b. Education Sector Funding Bodies;
- c. Staff;
- d. Local employers;
- e. Government Offices & Local Enterprise Partnerships;
- f. The local community;
- g. Other FE institutions;
- h. Trade Unions;
- i. 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.

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Equal Opportunities

35. Gateshead College believes that all forms of prejudice and discrimination are unacceptable. The Equal Opportunities Policy has been developed to ensure that the College complies with all laws and directives. The College is committed to fulfilling all agreements, regulations, Acts and subsequent amendments which may have an impact as a provider of education, training and services and also as an employer. In particular, the College will ensure that no employee, job applicant or candidate for promotion is disadvantaged or treated less favourably because of conditions or requirements that are not related to the job.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. When 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. Managers and governors monitor equality and the employment of disabled persons.

Disability Statement

36. The Equal Opportunities Policy provides a statement of our endeavours to comply with legislative requirements, in particular the Equality Act 2010. The Equal Opportunities strategy sets out our intention, where it is reasonable to do so, to make adjustments to enable all students and potential students to have equal access to College services, thus ensuring that none are treated less favourably than others. The College publishes annually a Disability Statement which sets out the services and facilities for people with disabilities.
37. The College also introduced a Race Equality Policy in March 2003, and has developed implementation plans to ensure compliance with the Race Relations (Amendment) Act 2000, and to take account of recommendations in the joint agreement on guidance for Race Equality published in April 2002. Both the Equal Opportunities and Race Equality Policies are overseen by an Equality Forum made up of internal and external representatives.

Disclosure of Information to Auditor

38. 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 auditor is 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 auditor is aware of that information.

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf by



Robin Mackie
Chair

14 December 2017

GATESHEAD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2016 to 31st July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. It takes full account of 'The Code of Good Governance' for English Colleges issued by Association of Colleges in March 2015, which it has formally adopted.

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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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below.

<i>Appointee</i>	<i>Date of appointment</i>	<i>Term of office</i>	<i>Date of resignation</i>	<i>Status of appointment</i>	<i>Committees served</i>	<i>Attendance</i>
<i>Robin Mackie Chair</i>	<i>Reappointed with effect from End of April 2017</i>	<i>4 years</i>		<i>Governor*</i>	<i>Chair – Business Committee Corporate Services Committee Remuneration Committee</i>	<i>10/18 56%</i>
<i>John McElroy</i>	<i>Reappointed October 2015</i>	<i>4 years</i>		<i>Governor*</i>	<i>Corporate Services Committee</i>	<i>11/14 79%</i>
<i>David Mitchell</i>	<i>Reappointed October 2017</i>	<i>4 years</i>		<i>Governor*</i>	<i>Chair – Teaching & Learning Committee Business Committee Remuneration Committee</i>	<i>12/14 86%</i>
<i>Ian Renwick</i>	<i>Reappointed December 2015</i>	<i>4 years</i>		<i>Governor*</i>	<i>Chair – Corporate Services Committee Remuneration Committee</i>	<i>10/14 71%</i>
<i>Darren Heathcote</i>	<i>Reappointed September 2017</i>	<i>2 years</i>		<i>Staff</i>	<i>Audit Committee</i>	<i>9/9 100%</i>
<i>Chris Macklin</i>	<i>Reappointed December 2016</i>	<i>4 years</i>		<i>Governor*</i>	<i>Chair – Audit Committee People Committee</i>	<i>10/12 83%</i>
<i>Kevin Fitzpatrick</i>	<i>Reappointed February 2014</i>	<i>4 years</i>		<i>Governor*</i>		<i>0/4 0%</i>
<i>Emily Cox</i>	<i>Reappointed July 2016</i>	<i>4 years</i>		<i>Governor*</i>	<i>Chair – Remuneration Committee Chair - People Committee</i>	<i>7/8 88%</i>
<i>Sally Hancox</i>	<i>Reappointed July 2016</i>	<i>4 years</i>	<i>September 2017</i>	<i>Governor*</i>	<i>People Committee</i>	<i>5/8 63%</i>

GATESHEAD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

<i>Appointee</i>	<i>Date of appointment</i>	<i>Term of office</i>	<i>Date of resignation</i>	<i>Status of appointment</i>	<i>Committees served</i>	<i>Attendance</i>
Nick Hurn	Appointed March 2014	4 years		Governor*	People Committee Teaching & Learning Committee	7/13 54%
Christine Jones	Appointed April 2015	4 years		Governor*	Teaching & Learning Committee	9/10 90%
Richard Bathgate	Appointed June 2017, Term begins September 2017	1 Year		Governor*	Teaching & Learning Committee	0/0
Annabel Collins	Appointed June 17, Term begins September 2017	1 Year		Governor*		0/0
Sabbatical President (Currently Vacant)	Appointment Expected October 2017	1 year		Sabbatical President of the Students' Union		4/4 100%
19+ Student (Currently Vacant)	Appointment Expected October 2017	1 year		Student 19+		4/10 40%
Judith Doyle Principal	August 2013	Ex officio		Principal	Business Committee Corporate Services Committee People Committee Teaching & Learning Committee Governance Sub Group	20/26 77%
<p>Bond Dickinson LLP has acted as Clerk to the Corporation since 1 October 2012. Mr N Weddle was co-opted onto the Audit Committee. * indicates appointment / reappointment under 2007 Articles of Government</p>						

GATESHEAD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation is required to meet at least once every term but generally meets five times per year and more frequently if required.

The Corporation has conducted its business through a number of committees throughout the year. Each committee has terms of reference, which have been approved by the full Corporation. These committees are Business, Corporate Services, People, Remuneration, Audit and Teaching and Learning. The terms of reference for the four new Quadrant Committees (see below) were approved in July 2014 and adopted in October 2014 (and are being reviewed and updated during the year to July 2018). Full minutes of all meetings except those deemed to be confidential by the Corporation are available from the Governance section of the College's website within 3 months of the date of the meeting.

Please note that, from September 2014, a revised system of reporting and committee structure was implemented across the Corporation. The Corporation now operates with a quadrant reporting system – with the four key areas of the Corporation's business (People, Corporate Services, Teaching and Learning and Business) receiving particular scrutiny and focus. Each quadrant has a lead governor (as chair) and lead executive team member and they are supported by a committee. Each quadrant has agreed objectives against which the Board as a whole can measure performance. The system is designed to reduce duplication, give clear focus and a broader awareness for all Governors of all aspects of the Corporation's business.

Audit and Remuneration Committees continue to exist, and the Governance Sub Group reviews matters relating to Board composition, effectiveness and governance matters generally.

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection upon request to the Clerk.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation, with the exception of the Principal, are a matter for the consideration of the Corporation as a whole, with advice from Governance Sub-Group.

Student and Staff Governors are selected following an election process.

The Corporation has a Governance Sub Group which is responsible for monitoring the composition of the Corporation and making recommendations for appointments to it, for the development and training of governors,

GATESHEAD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

reviewing the conduct of governors, succession to governor positions and looking at good governance generally. The terms of reference for the Governance Sub Group were approved and adopted in December 2014 (and will be reviewed during the year to July 2018). The Corporation is responsible for ensuring that appropriate training is provided as required and has delegated this responsibility to the Governance Sub Group.

Members of the Corporation are generally appointed for a term of office not exceeding four years, although the Principal serves ex officio and the staff and students generally serve for 2 years.

Remuneration Committee

The Remuneration Committee comprises the Chair of the Corporation, the Vice Chair(s) of the Corporation, the Chair of the People Committee, the Chair of the Business Committee, the Chair of Corporate Services, the Chair of Teaching and Learning and up to two other Corporation members (some members of the Committee fulfil more than one of these roles). Emily Cox is currently the Chair of that committee.

The Committee meets three times per year to set objectives for the Principal, to review performance and to consider the making of annual awards. The Committee operates in accordance with written terms of reference approved by the Corporation and updated in July 2014. The Committee's responsibilities are to review and consider the performance and the remuneration and benefits of the Principal and to note the performance, remuneration and objectives determined by the Principal for the members of the executive team.

Details of remuneration for the year ended 31 July 2017 are set out in note 8 to the financial statements.

Audit Committee

At the end of the year, the committee comprises two members of the Corporation, plus a Co-optee.

The committee operates in accordance with written terms of reference approved by the Corporation in July 2014 (which will be reviewed during the year to July 2018). Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management control and governance processes.

The Audit Committee meets on a termly basis (at least) and provides a forum for reporting by the College's internal and financial statement and regularity 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 SFA as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input 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 regularity auditors and their remuneration for both audit and non-audit work, as well as reporting annually 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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum/Financial Agreement between Gateshead

GATESHEAD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with the requirements of the EFA/SFA Joint 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. As a minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA'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.

The Principal's 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 and regularity auditors in their management letters and other reports.

The Principal is advised on the implications of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Executive 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

GATESHEAD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

reinforced by risk awareness training. The Executive 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 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 8 December 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

Based on the advice of the Audit Committee and the Accounting Officer, the corporation is of the opinion that the College has 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 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 they continue to adopt the going concern basis in preparing the financial statements. As detailed in the 'Future Prospects' section on Page 8, the College is confident that it will remain a 'Going Concern' for a minimum of 36 months, after making the following assumptions:

- Financial Health Score: The College's Financial Health score remained 'Good' in the year to 31 July 2017 with a score of 190, and is predicted to improve to an 'Outstanding' grade by 31 July 2019.
- Student Numbers: 16-18 student numbers will increase by at least 50 in the year to 31 July 2018.
- Ofsted: The college was graded 'Outstanding' by Ofsted in June 2015.
- Reliance on Funding: The college increased its reliance on Government grant funding by 5% in the year to 31 July 2017, however this was solely due to the commencement of the ESF funded projects.
- Apprenticeship Reform: The college is at the forefront of Apprenticeship Reform and has already successfully ran pilot schemes, such as the Apprenticeship 'trailblazer' schemes in Dual Fuel and SMART Metering in conjunction with employers which include Northern Powergrid, G4S, AMEY and EDF. The College is delivering to over 500 new apprentices, having already signed agreements with large employers such as Greggs, Persimmon Homes and Braun Medical Limited.
- Area Review: The College completed the Area Review process in an extremely strong position, retaining its status as the best performing College in the North East region in terms of student success rates and destinations. Coupled with the College's strong financial position it was uniquely placed to influence the recommendations from the Area review process to gain the required outcome.
- European Social Funding (ESF): The College has been successful in winning two European Social Funding (ESF) bids, North Eastern Support for the Unemployed and North Eastern Employees Support in Skills. Combined funding for these two programmes totals £14.7m, with both running until 2018.

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf by:



Robin Mackie
Chair

14 December 2017



Judith Doyle
Principal – Accounting Officer

14 December 2017


GATESHEAD COLLEGE

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with their terms and conditions of funding, under the funding agreement in place between the College and the Education and Skills Funding Agency (ESFA).

As part of our consideration we have had due regard to the requirements of the funding agreement. We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education and Skills Funding Agency'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 the Education and Skills Funding Agency (ESFA).



Robin Mackie
Chair

14 December 2017



Judith Doyle
Accounting Officer

14 December 2017

GATESHEAD COLLEGE

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation (who act as trustees for the charitable activities of the College) are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Operating and Financial Review for each financial year in accordance with the *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction* issued by the Education and Skills Funding Agency, and in accordance with United Kingdom Generally Accepted Accounting Practice and applicable law, and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

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 UK 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 responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and enable it to ensure that the financial statements are prepared in accordance with the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps 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 funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf by:



Robin Mackie – Chair
14 December 2017

GATESHEAD COLLEGE

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF GATESHEAD COLLEGE

Opinion

We have audited the financial statements of Gateshead College (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2017 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated/college statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as set out in our engagement letter dated 20 July 2017.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2017 and of the Group's and the College's deficit 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) 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 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 governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The governors are responsible for the other information. The other information comprises the information included in the 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 Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

GATESHEAD COLLEGE

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF GATESHEAD COLLEGE

Responsibilities of the Corporation of Gateshead College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 20, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

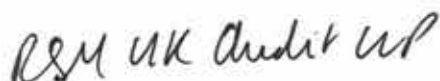
In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the College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

Auditor's responsibilities for the audit of the financial statements

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

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

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 20 July 2017. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 20 July 2017 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.



RSM UK AUDIT LLP
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

Date: 19 December 2017

GATESHEAD COLLEGE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	31,371	30,749	27,368	27,291
Tuition fees and education contracts	3	5,998	5,628	5,344	5,249
Other grants and contracts	4	1,596	887	3,331	678
Other income	5	2,279	2,017	2,288	2,038
Investment income	6	44	30	42	24
Donations and Endowments	7	-	33	-	531
Total income		41,288	39,344	38,373	35,811
EXPENDITURE					
Staff costs	8	21,345	20,031	19,865	18,771
Restructuring costs	8	319	310	765	765
Other operating expenses	9	16,700	16,105	14,761	13,345
Depreciation	12	2,408	2,312	2,377	2,280
Interest and other finance costs	10	774	774	830	830
Total expenditure		41,546	39,532	38,598	35,991
(Deficit)/Surplus before other gains and losses		(258)	(188)	(225)	(180)
Gain/(loss) on disposal of assets	12	7	7	255	255
Gain/(loss) on investments		-	-	-	-
(Deficit)/Surplus before tax		(251)	(181)	30	75
Taxation	11	(4)	-	-	-
(Deficit)/Surplus for the year		(255)	(181)	30	75
Actuarial gain/(loss) in respect of pensions schemes	25	1,860	1,860	(3,400)	(3,400)
Total Comprehensive Income for the year		1,609	1,679	(3,370)	(3,325)
Represented by:					
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive income		1,609	1,679	(3,370)	(3,325)
		1,609	1,679	(3,370)	(3,325)
(Deficit)/Surplus for the year attributable to:					
Non-controlling interest		-	-	-	-
Group		(255)	(181)	30	75
Total Comprehensive Income for the year attributable					
Non-controlling interest		-	-	-	-
Group		1,609	1,679	(3,370)	(3,325)

GATESHEAD COLLEGE

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES


	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2015	18,481	-	18,481
Surplus from the income and expenditure account	30	-	30
Other comprehensive income	(3,400)	-	(3,400)
Transfers between revaluation and income and expenditure reserves	-	-	-
	(3,370)	-	(3,370)
Balance at 31st July 2016	15,111	-	15,111
(Deficit) from the income and expenditure account	(255)	-	(255)
Other comprehensive income	1,860	-	1,860
Transfers between revaluation and income and expenditure reserves	-	-	-
Total comprehensive income for the year	1,605	-	1,605
Balance at 31 July 2017	16,716	-	16,716
College			
Balance at 1st August 2015	16,933	-	16,933
Surplus from the income and expenditure account	75	-	75
Other comprehensive income	(3,400)	-	(3,400)
Transfers between revaluation and income and expenditure reserves	-	-	-
	(3,325)	-	(3,325)
Balance at 31st July 2016	13,608	-	13,608
(Deficit) from the income and expenditure account	(181)	-	(181)
Other comprehensive income	1,860	-	1,860
Transfers between revaluation and income and expenditure reserves	-	-	-
Total comprehensive income for the year	1,679	-	1,679
Balance at 31 July 2017	15,287	-	15,287

GATESHEAD COLLEGE

BALANCE SHEET AS AT 31 JULY

	Notes	Group	College	Group	College
		2017	2017	2016	2016
		£'000	£'000	£'000	£'000
Non current assets					
Tangible Fixed assets	12	65,518	65,176	66,861	66,435
Goodwill	14	-	-	2	-
Investments	13	-	150	-	150
Pensions asset	25	-	-	-	-
		65,518	65,326	66,863	66,585
Current assets					
Stocks		59	59	50	50
Trade and other receivables	15	6,725	6,486	3,602	3,437
Investments	16	1,000	-	4,511	3,511
Cash and cash equivalents	21	4,403	4,036	2,238	1,761
		12,187	10,581	10,401	8,759
Less: Creditors – amounts falling due within one year	17	(9,250)	(8,881)	(7,709)	(7,292)
Net current assets		2,937	1,700	2,692	1,467
Total assets less current liabilities		68,455	67,026	69,555	68,052
Creditors – amounts falling due after more than one year	18	(36,389)	(36,389)	(38,174)	(38,174)
Provisions					
Defined benefit obligations	20	(14,610)	(14,610)	(15,520)	(15,520)
Other provisions	20	(740)	(740)	(750)	(750)
Total net assets		16,716	15,287	15,111	13,608
Unrestricted Reserves					
Income and expenditure account		16,716	15,287	15,111	13,608
Revaluation reserve		-	-	-	-
Total unrestricted reserves		16,716	15,287	15,111	13,608

The financial statements on pages 23 to 51 were approved and authorised for issue by the Corporation on 14th December 2017 and were signed on its behalf on that date by:


 Robin Mackie
 Chair
 14 December 2017


 Judith Doyle
 Principal
 14 December 2017

GATESHEAD COLLEGE

CONSOLIDATED STATEMENT OF CASHFLOWS

	Notes	2017 £'000	2016 £'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		(255)	30
Adjustment for non-cash items			
Depreciation		2,408	2,370
(Increase)/decrease in stocks		(9)	(26)
(Increase)/decrease in debtors		(2,479)	2,250
Increase/(decrease) in creditors due within one year		1,187	(2,205)
Increase/(decrease) in creditors due after one year		(643)	(1,285)
Increase/(decrease) in provisions		(10)	-
Pensions costs less contributions payable		950	480
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		(44)	(44)
Interest payable		394	420
Lennartz VAT Financing cost		54	54
(Profit) / Loss on sale of fixed assets		(7)	(255)
Net cash flow from operating activities		<u>1,546</u>	<u>1,789</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		27	976
Capital Grants Received / (Released/Repaid)		73	(456)
Disposal of non-current asset investments		-	-
Investment income		55	44
Withdrawal of deposits		3,500	-
New deposits		-	(1,511)
Payments made to acquire fixed assets		(1,726)	(953)
		<u>1,929</u>	<u>(1,900)</u>
Cash flows from financing activities			
Interest paid		(394)	(420)
Interest element of finance lease rental payments		-	-
New unsecured loans		-	-
Repayments of amounts borrowed		(481)	(465)
Repayment of Lennartz VAT		(435)	(435)
		<u>(1,310)</u>	<u>(1,320)</u>
Increase / (Decrease) in cash and cash equivalents in the year		<u>2,165</u>	<u>(1,431)</u>
Cash and cash equivalents at beginning of the year	21	2,238	3,669
Cash and cash equivalents at end of the year	21	4,403	2,238

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

1 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.

General Information

Gateshead College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is Baltic Campus, Quarryfield Road, Gateshead, NE8 3BE. The nature of the College's operations are set out in the Report of the Governing Body.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* 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, and in accordance with applicable United Kingdom Accounting Standards. The financial statements have been prepared on a going concern basis, further details in this regard are given on page 18.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Gateshead College Foundation, Amacus Limited, North East Apprenticeship Company Limited, Zero Carbon Futures (UK) Limited, Zero Carbon Futures (North) Limited and Gateshead Sport Management (Malaysia) SDN.BHD. 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. Provision is made for any impairment. 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 2017.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £10.6m (2016: £11.1m) of loans outstanding with bankers on terms negotiated in 2007. The terms of the existing agreement are for 25 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

As such 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

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

1 Statement of Accounting Policies *(continued)*

Recognition of income *(continued)*

estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. 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. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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. The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

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 the State Earnings-Related Pension Scheme (SERPS), and assets are held separately from those of the College.

The TPS is an unfunded scheme and 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 the government actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 25, 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 scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the college in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to 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 gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

1 Statement of Accounting Policies *(continued)*

Post Retirement Benefits (continued)

adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total 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 on-going pension to a former member of staff is paid by the college annually. An estimate of the expected future costs of any enhancement to the on-going pension of a former member of staff is charged in full to the college's income and expenditure account in the year that the staff member 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 less accumulated depreciation and accumulated impairment losses.

Land and buildings

Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold and leasehold buildings are depreciated over their expected useful economic life. The two Skills Academies, the Baltic Campus and the Sports Academy are depreciated over 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life. Assets in the course of construction are not depreciated. Long leasehold land is depreciated over the life of the lease, The two Skills Academies 125 years, Baltic Campus 250 years, SASMI 50 years and Sports Academy 25 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.

Finance costs, which are directly attributable to the construction of land and buildings, are capitalised as part of the cost of those assets.

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. Shortfalls between the carrying value of the assets and their recoverable amounts, are recognised in impairments. Impairment losses are recognised in the income and expenditure account.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, and not to adopt a policy of revaluations of these properties in the future.

Subsequent expenditure on existing 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:

- 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

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

1 Statement of Accounting Policies *(continued)*

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic life as follows:

Computer equipment	-	2 to 5 years
Furniture and Fittings	-	10 to 50 years
Equipment	-	2 to 10 years
Vehicles	-	4 years

Intangible Assets and Goodwill

On adoption of FRS 102, the College followed the transitional provision to retain the book value of Intangible Assets. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill	-	5 years
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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 if the asset had been purchased outright.

The assets are included in fixed assets and the capital elements of the leasing commitments are 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.

Leased assets as a lessor

Rental income from assets leased under operating leases is recognised on a straight-line basis over the term of the lease. Rent free periods or other incentives given to the lessee are accounted for as a reduction to the rental income and recognised on a straight-line basis over the lease term.

Investments

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

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 cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

1 Statement of Accounting Policies *(continued)*

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 Instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. 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 financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measure at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to comprehensive income in the period in which they arise.

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

1 Statement of Accounting Policies *(continued)*

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 Chapter 3 Part 11 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 receives no similar exemption in respect of Value Added Tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Capital costs and non pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

The college have an arrangement in place with HMRC to claim the VAT incurred on construction of the new building which is then subsequently repaid to HMRC over a period of 10 years.

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

Provisions and Contingent Liabilities *(continued)*

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.

Discretionary Support Funds

The Discretionary Support Fund grant from the ESFA is available solely for students; the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure account, and are shown separately in note 27, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

1 Statement of Accounting Policies (*continued*)

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 25, 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 2013 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Skills Funding Agency	16,684	16,066	15,509	15,418
Education Funding Agency	10,185	10,181	10,846	10,845
Higher Education Funding Council	484	484	426	426
Specific grants				
Skills Funding Agency – European Funds	3,414	3,414	(36)	(36)
Releases of government capital grants	604	604	623	623
HE grant	-	-	-	15
Total	31,371	30,749	27,368	27,291

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	484	487	652	652
Apprenticeship fees and contracts	809	793	1,413	1,386
Fees for FE loan supported courses	745	745	475	475
Fees for HE loan supported courses	1,781	1,781	1,705	1,705
Total tuition fees	3,819	3,806	4,245	4,218
Education contracts	2,179	1,822	1,099	1,031
Total	5,998	5,628	5,344	5,249

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
European Commission	-	-	30	30
Other grants and contracts	1,605	887	3,301	648
Total	1,605	887	3,331	678

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

5 Other income	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering	146	146	91	92
Other income generating activities	580	291	527	416
Non Funding Body capital grants	551	551	662	662
Miscellaneous income	1,002	1,029	1,008	868
Total	2,279	2,017	2,288	2,038

6 Investment income	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	-	-	-	-
Other interest receivable	44	30	42	24
	44	30	42	24
Net return on pension scheme (note 25)	-	-	-	-
Total	44	30	42	24

7 Donations – College only	2017	2016
	£'000	£'000
Unrestricted donations	33	531
Total	33	531

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

8 Staff costs – Group and College

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

	2017	2016
	No.	No.
Teaching staff	319	315
Non-teaching staff	214	208
	<u>533</u>	<u>523</u>
Staff costs for the above persons		
	2017	2016
	£'000	£'000
Wages and salaries	16,639	16,035
Social security costs	1,570	1,295
Other pension costs	3,136	2,535
	<u>21,345</u>	<u>19,865</u>
Payroll sub total		
Contracted out staffing services	-	-
	<u>21,345</u>	<u>19,865</u>
Fundamental restructuring costs – Contractual	270	765
– Non contractual	40	-
	<u>21,664</u>	<u>20,630</u>
Total Staff costs		

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Principal, the Vice Principals responsible for Finance and Curriculum, and Directors of Service for Business Development, People Management and Marketing. Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of Key management personnel, Accounting Officer and other higher paid staff

	2017	2016
	No.	No.
The number of key management personnel including the Accounting Officer was:	7	6

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

8. Staff Costs - Group and College (continued)

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	2017 No.	2016 No.	2017 No.	2016 No.
£70,001 to £80,000 p.a.	-	-	-	2
£80,001 to £90,000 p.a.	1	-	-	-
£90,001 to £100,000 p.a.	-	-	1	-
£100,001 to £110,000 p.a.	1	2	-	-
£110,001 to £120,000 p.a.	2	-	-	-
£140,001 to £150,000 p.a.	1	1	-	-
£150,001 to £160,000 p.a.	1	1	-	-
£210,001 to £220,000 p.a.	-	1	-	-
£240,001 to £250,000 p.a.	1	-	-	-
	<u>7</u>	<u>5</u>	<u>1</u>	<u>2</u>

Key management personnel emoluments are made up as follows:

	2017 £'000	2016 £'000
Salaries	950	777
Benefits in kind	-	-
National insurance	123	97
	<u>1,073</u>	<u>874</u>
Pension contributions	132	103
Total emoluments	<u>1,205</u>	<u>977</u>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

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

	2017 £'000	2016 £'000
Salaries	240	214
Benefits in kind	-	-
	<u>240</u>	<u>214</u>
Pension contributions	34	30
Total emoluments	<u>274</u>	<u>244</u>

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

The members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

9 Other operating expenses

	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	9,675	9,743	6,049	6,957
Non-teaching costs	3,405	3,179	3,725	3,163
Premises costs	3,620	3,182	4,987	3,224
Less: Loss on Assets / Investments	-	-	-	-
Total	16,700	16,104	14,761	13,344

Other operating expenses include:

	2017	2016
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	32	25
Internal audit**	35	35
Other services provided by the financial statements auditor (Including Tax Services and External Funding Grant audits)	29	18
Other services provided by the internal auditors	-	-
Gain on disposal of non-current assets	7	252
Hire of assets under operating leases	111	124

* includes £20,000 in respect of the College (2015/16 £20,400)

** includes £35,131 in respect of the College (2015/16 £35,132)

10 Interest and other finance costs – Group and College

	2017	2016
	£'000	£'000
On bank loans, overdrafts and other loans:	394	420
	<u>394</u>	<u>420</u>
On finance leases	-	-
Pension finance costs (note 25)	380	410
	<u>380</u>	<u>410</u>
Total	774	830

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

11 Taxation – Group only

	2017 £'000	2016 £'000
United Kingdom corporation tax	-	-
Provision for deferred corporation tax in the accounts of the subsidiary company	4	-
Total	4	-

12 Tangible fixed assets (Group)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	68,554	6,733	10,756	86,043
Additions	66	625	1,068	1,759
VAT Reclaim Adjustment	-	(673)	-	(673)
Disposals	-	-	(48)	(48)
At 31 July 2017	68,620	6,685	11,776	87,081
Depreciation				
At 1 August 2016	10,712	1,843	6,627	19,182
Charge for the year	1,504	200	700	2,404
Elimination in respect of disposals	-	-	(23)	(23)
At 31 July 2017	12,216	2,043	7,304	21,563
Net book value at 31 July 2017	56,404	4,642	4,472	65,518
Net book value at 31 July 2016	57,842	4,890	4,129	66,861

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

12

Tangible fixed assets (College only)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	68,556	6,733	10,142	85,431
Additions	66	589	1,057	1,712
VAT Reclaim Adjustment	-	(637)	-	(637)
Disposals	-	-	(48)	(48)
At 31 July 2017	68,622	6,685	11,151	86,458
Depreciation				
At 1 August 2016	10,710	1,844	6,442	18,996
Charge for the year	1,504	200	605	2,309
Elimination in respect of disposals	-	-	(23)	(23)
At 31 July 2017	12,214	2,044	7,024	21,282
Net book value at 31 July 2017	56,408	4,641	4,127	65,176
Net book value at 31 July 2016	57,846	4,889	3,700	66,435

13 Non-current investments

	College 2017 £'000	College 2016 £'000
Investments in Amacus Limited at Cost	127	127
Investments in Gateshead Sport Malaysia	23	23
Other non-current asset investments	-	-
Total	150	150

The College acquired 100% of the issued ordinary £1 shares of Amacus Limited on 4 July 2008. The principal business of Amacus Limited was the provision of Leadership & Management training. Amacus has developed capability to deliver employability training to unemployed candidates. The agreed purchase price was £126,500.

The North East Apprenticeship Company Limited was incorporated on 12th February 2010. The companies' primary operating activity is to engage with local SME's to create new work placement opportunities for apprentices, and to support the apprentices enabling them to complete their qualification and find appropriate permanent employment. Gateshead College assumed full control of the North East Apprenticeship Company Limited from Gateshead Council on 1st February 2012.

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

Note 13 continued

The Gateshead College Foundation was incorporated on the 18 April 2011, and is a 100% subsidiary of Gateshead College. The Gateshead College Foundations' primary purpose is to act as the charitable arm of the College,

providing support both financial and non-financial to Gateshead College learners. During the year to 31st July 2017, Gateshead College was unable to gift any funds to the Foundation, to act as capital for its future charitable activities. The Corporation had previously approved an annual donation of 1% of its surplus, where it is in excess of 3% turnover, in 2016/17 this was not achieved preventing an annual donation.

Zero Carbon Futures (UK) Limited was incorporated on the 29th June 2011, this companies primary purpose is to establish the College's reputation as one of the leading providers of Electric Vehicle and Sustainable Manufacturing training in the UK. In the year to 31st July 2014 Zero Carbon Futures (ZCF) was given a grant of £3.3m from Nissan Europe as part of its Business Incubator project, to create a network of Electric Vehicle quick chargers in the UK. The company agreed a further contract worth a further £4.9m in the year to 31 July 2014, both contracts ran until early 2016.

Zero Carbon Futures (North) Limited was incorporated on 17th November 2011. The companies' primary purpose was to house the 'Plugged in Places' project which is now complete, and was previously operated by the now closed Regional Development Agency ONE North East.

On the 15th May 2014 Gateshead College setup a company based in Malaysia called Gateshead Sport Management (Malaysia) SDN.BHD. This company was setup to manage a Sports Stadium contract in EduCity in Malaysia, as an initial step in Gateshead College's international strategy in Asia. The contract was terminated in December 2014 and the company no longer trades. An impairment review of the investment has been undertaken, and the holding was reduced to £23,000 which is the value of the intercompany debt.

14 Goodwill

	Group 2017 £'000	Group 2016 £'000
Goodwill Brought forward at 1 August	2	9
Additions	-	-
Amortisation	(2)	(7)
Goodwill Carried forward at 31 July	<u>-</u>	<u>2</u>

The carrying value of goodwill as at 31 July 2017, related to the purchase of Tyneside Training Services Ltd. The remaining goodwill of £1,645 was fully amortised in the year to 31 July 2017.

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

15 Debtors

	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	1,370	1,260	1,315	1,254
Amounts owed by group undertakings:	-	62	-	3
Prepayments and accrued income	2,397	2,214	1,858	1,778
Amounts owed by the [Skills Funding Agency/EFA]	2,285	2,285	380	380
Other Debtors *	673	665	49	22
Total	6,725	6,486	3,602	3,437

* Other Debtors includes Debtor > 1 Year of £515,000: VAT to be reclaimed from HMRC relating to Capital Goods Scheme.

16 Current investments

	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Short term deposits	1,000	-	4,511	3,511
Total	1,000	-	4,511	3,511

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: amounts falling due within one year

	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	492	492	480	480
Trade payables	3,321	3,189	2,728	2,455
Amounts owed to group undertakings	-	265	-	125
Other taxation and social security *	1,159	1,093	1,310	1,272
Accruals and deferred income	1,297	1,260	1,070	1,057
Amounts owed to the [Skills Funding Agency/EFA]	494	494	20	20
Deferred income - government capital grants	1,143	1,143	1,149	1,149
Other Creditors	1,344	945	952	734
Total	9,250	8,881	7,709	7,292

* Other Taxation and Social Security creditor includes £184k VAT recovered on the Baltic Campus and Skills Academy for Construction repayable to HMRC under the Lennartz scheme. This will be fully repaid by 31 July 2018.

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

18 Creditors: amounts falling due after one year

	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Bank loans	10,134	10,134	10,627	10,627
Lennartz Creditor > 1 Year	-	-	184	184
Deferred income - government capital grants	26,255	26,255	27,363	27,363
Total	36,389	36,389	38,174	38,174

19 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
In one year or less	492	492	480	480
Between one and two years	505	505	492	492
Between two and five years	1,604	1,604	1,558	1,558
In five years or more	8,025	8,025	8,577	8,577
Total	10,626	10,626	11,107	11,107

The term loan is split into two elements £6,438,884.73 at 5.49% fixed for 25 years and £4,187,500 charged at a rate of 0.45% over the variable LIBOR rate. The loan is secured by way of a first legal charge on the freehold property, Skills Academy – Automotive and the Baltic Campus.

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

20 Provisions

	Group and College				
	Defined benefit obligations	Restructuring	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	15,520	-	750	-	16,270
Expenditure in the period	-	-	-	-	-
Movement in period	(910)	-	(10)	-	(920)
At 31 July 2017	14,610	-	740	-	15,350

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 25.

The enhanced pension provision relates to the cost of staff who have already left the College's 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 guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2017	2016
Price inflation	3.1%	2.6%
Discount rate	2.6%	2.4%

21 Cash and cash equivalents

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,238	2,165	-	4,403
Overdrafts	-	-	-	-
Total	2,238	2,165	-	4,403

22 Capital and other commitments

	Group and College	
	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	448	354

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

23 Lease obligations

The Company as a lessee:

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

	Group and College	
	2017	2016
	£'000	£'000
Land and buildings		
Not later than one year	111	124
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>111</u>	<u>124</u>

The Company as a lessor:

At 31 July the College had contracted with tenants under non-cancellable operating leases as follows:

	Group and College	
	2017	2016
	£'000	£'000
Land and buildings		
Not later than one year	279	-
Later than one year and not later than five years	1,550	-
Later than five years	3,100	-
	<u>4,929</u>	<u>-</u>

24 Contingent liabilities

The College has been in receipt of significant income from the European Social Fund (ESF) in recent years, and has received £3,413,950 in the year ended 31 July 2017 (2016: £0), this was obtained via contracts with the Skills Funding Agency.

The College takes all reasonable steps to ensure it complies with the terms attaching to the receipt of all ESF and ERDF income; however the College recognises that this is a complex area and that there is a risk that some funding could become repayable as a result of a possible inspection by the funding provider or the ESF Verification Audit Section. It is not possible to estimate the value or timing of any such repayments.

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

25 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 Wessex Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Tyne & Wear Pension Fund. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2017 £000	2016 £000
Stakeholder Pension Scheme: contributions paid	46	33
Teachers' Pension Scheme: contributions paid	1,066	1,075
Local Government Pension Scheme:		
Contributions paid	1,560	1,428
FRS 102 (28) charge	560	120
Charge to the Statement of Comprehensive Income	2,120	1,548
Enhanced pension charge to Statement of Comprehensive Income	-	-
Total Pension Cost for Year within staff costs	3,232	2,656

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £567,168 (2016 £506,000) were payable to the scheme at 31st July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,666,000 (2016: £1,724,000)

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 Tyne & Wear Pension Fund. The total contributions made for the year ended 31 July 2017 were £1,963,000 (2016: £1,880,000), of which employer's contributions totalled £1,560,000 (2016: £1,430,000) and employees' contributions totalled £488,000 (2016: £450,000). The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 7.5% for employees, depending on salary.

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.5%	3.0%
Future pensions increases	2.0%	1.5%
Discount rate for scheme liabilities	2.6%	2.4%
Inflation assumption (CPI)	2.0%	1.5%
Pension accounts revaluation rate	2.0%	1.5%

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

	At 31 July 2017	At 31 July 2016
	years	years
<i>Retiring today</i>		
Males	22.8	23.2
Females	26.3	25.3
<i>Retiring in 20 years</i>		
Males	25.0	24.8
Females	28.6	27.1

The College's share of the assets in the plan at the balance sheet date and the expected rates of return were:

	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017 £'000	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016 £'000
Equity instruments	66.1%	24,498	66.3%	20,666
Debt instruments	15.4%	5,707	15.3%	4,769
Property	9.0%	3,335	10.0%	3,117
Cash	3.9%	1,445	3.0%	935
Other	5.6%	2,075	5.4%	1,683
Total fair value of plan assets		37,060		31,170
Actual return on plan assets		3,810		2,160

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

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

	2017	2016
	£'000	£'000
Fair value of plan assets	37,060	31,170
Present value of plan liabilities	(51,670)	(46,690)
Present value of unfunded liabilities	(740)	(750)
Net pensions (liability)/asset (Note 20)	(15,350)	(16,270)

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

	2017	2016
	£'000	£'000
Amounts included in staff costs		
Current service cost	2,120	1,490
Past service cost	70	60
Total	2,190	1,550

Amounts included in investment income

Net interest income	360	390
	2,550	1,940

Amount recognised in Other Comprehensive Income

Return on pension plan assets	3,810	2,160
Experience losses arising on defined benefit obligations	(1,950)	(5,510)
Changes in assumptions underlying the present value of plan liabilities	-	-
Amount recognised in Other Comprehensive Income	1,860	(3,350)

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

	2017	2016
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(15,520)	(11,660)
Movement in year:		
Current service cost	(2,120)	(1,490)
Employer contributions	1,560	1,430
Past service cost	(70)	(60)
Net interest on the defined (liability)/asset	(360)	(390)
Actuarial gain or loss	1,900	(3,350)
Net defined benefit (liability)/asset at 31 July	(14,610)	(15,520)

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

Asset and Liability Reconciliation

	2017	2016
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	46,690	38,560
Current service cost	2,120	1,490
Interest cost	1,120	1,380
Contributions by Scheme participants	480	450
Experience gains and losses on defined benefit obligations	1,910	5,510
Changes in financial assumptions	-	-
Estimated benefits paid	(720)	(760)
Past Service cost	70	60
Curtailments and settlements	-	-
Defined benefit obligations at end of period	51,670	46,690

Changes in fair value of plan assets

Fair value of plan assets at start of period	31,170	26,900
Interest on plan assets	760	990
Remeasurement gains / losses on assets	3,810	2,160
Employer contributions	1,560	1,430
Contributions by Scheme participants	480	450
Estimated benefits paid	(720)	(760)
Fair value of plan assets at end of period	37,060	31,170

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

26 Related party transactions

Due 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 organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

27 Amounts disbursed as agent of Learner support funds

	2017	2016
	£'000	£'000
Funding body grants – bursary support	653	808
Funding body grants – discretionary learner support	200	126
Funding body grants – residential bursaries	-	-
Other Funding body grants	14	15
Interest earned	-	-
	<u>867</u>	<u>949</u>
Disbursed to students	(823)	(887)
Administration costs	(44)	(42)
Balance unspent as at 31 July, included in creditors	<u>-</u>	<u>20</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

28 Financial Instruments - Group

Financial Assets	2017	2016
	£'000	£'000
Debt Instruments measured at amortised cost	2,327	1,315
Total Financial Assets	<u>2,327</u>	<u>1,315</u>
Financial Liabilities	2017	2016
	£'000	£'000
Financial liabilities measured at amortised cost	15,899	15,316
Total Financial Liabilities	<u>15,899</u>	<u>15,316</u>

GATESHEAD COLLEGE

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF GATESHEAD COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 20 July 2017 and further to the requirements of the financial memorandum with Skills Funding Agency, to obtain limited assurance about whether the expenditure disbursed and income received by Gateshead College during the period 1 August 2016 to 31 July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Education and Skills Funding Agency has other assurance arrangements in place.

We are independent of Gateshead College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

Responsibilities of Corporation of Gateshead College for regularity

The Corporation of Gateshead College is responsible, under the SFA financial memorandum and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of Gateshead College is also responsible for preparing the Governing body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice 2016 to 2017.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the financial memorandum with Skills Funding Agency and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed

GATESHEAD COLLEGE

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF GATESHEAD COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION

testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

This report is made solely to the corporation of Gateshead College and the Secretary of State for Education acting through the Department for Education in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Gateshead College and the Secretary of State for Education acting through the Department for Education those matters we are required to state 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 corporation of Gateshead and the Secretary of State for Education acting through the Department for Education for our work, for this report, or for the conclusion we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
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Newcastle upon Tyne
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Date: 19 December 2017