
GATESHEAD COLLEGE

**Report and Financial Statements
For the Year Ended 31 July 2013**

GATESHEAD COLLEGE

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OPERATING AND FINANCIAL REVIEW OF THE CORPORATION FOR THE PERIOD FROM 1 AUGUST 2012 TO 31 JULY 2013

The members present their report and the audited financial statements for the year ended 31 July 2013.

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 the Charities Act 2011.

Corporation Name

- 2 The corporation was incorporated as Gateshead College.

Mission

- 3 The College's mission as approved by its members is:
 - Shaping employees, entrepreneurs and global citizens for a new economy.

Implementation of Strategic Plan

- 4 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 2013-2016 Strategic Plan are:
 - Provide outstanding teaching, learning and assessment, delivered in 'real-life' contexts' by expert staff underpinned by smart use of technology, to ensure qualification and destination success.
 - Deliver a destination-driven curriculum and learning experiences, informed by employers and entrepreneurs, which make our students the most highly prized in job market.
 - Build the Gateshead College brand and secure our position as the best vocational college in the region; the one which gives students the employment edge.
 - Invest in research and development to create new products, learning experiences, and sustainable employment for staff and students.
 - Grow our business; diversify income streams and develop new markets aligned to employer needs and the career choices of our students.
 - Build our relationships with the best-in-class businesses, entrepreneurs and community stakeholders.
 - Create a working environment where people are engaged and inspired to work together with focus, commitment and passion.
 - Invest in our people; grow our talent so they fulfil their potential and that of our students, and make a positive impact on the performance of our business.
 - Behave responsibly and ethically as a business, doing the right things in the right way, and shaping our students to become good citizens, living sustainable lives.
 - Run our organisation effectively and efficiently, maintaining our financial health and ensuring we can invest in our future.

Financial Objectives:

- To achieve income target of £45.9m for 2013/14, and a surplus of £79k.
- To maintain financial health as outstanding to the period 31 July 2016
- To achieve financial management self-assessment grade of outstanding over the period of the plan
- To maintain financial capability to self fund future capital investment including accommodation

Financial Objectives 2012/13

- To generate turnover of £44.4m – Exceeded at £48.0m

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- To generate a surplus of £1,351,000 – Surplus below target at £66,000, after deduction of FRS17 interest and service charges of £510,000, and before share in operating profit of the joint venture of £32,000.
- To generate a current ratio greater than 1 at 31 July 2013 – Achieved

Performance Indicators

- 5 Although the SFA continues to measure FE performance in terms of contribution to national targets, individual colleges are now required to submit three-year development plans which are reviewed each year. These development plans focus on four headline targets:

- learner number growth and achievement of SFA/EFA funding targets
- learner success rate
- employer engagement
- teacher qualifications

In 2012/2013 the College exceeded all its learner number targets for 16-18 FTEs and 19+FE.

The SFA continues to monitor the system implemented by the LSC which measures performance for colleges. “FE Choices” formerly the “Framework for Excellence”, has three dimensions:

- Responsiveness
- Effectiveness
- Finance

each of which has two or three Key Performance Areas. These areas are further broken down into Performance Indicators supported by Performance Measures which are absolute measures of performance such as the outcome from a learner survey or a qualification success rate. In deriving the overall performance rating, the Framework gives equal weighting to each of the three dimensions.

The four key performance indicators are:

- Success rates
- Learner Destinations
- Satisfaction Survey (formerly “learner views”)
- Satisfaction Survey (formerly “employer views”)

The College is committed to observing the importance of the measures and indicators within the draft Framework and is monitoring these through the completion of the annual Finance Record for the SFA.

Finances

- 6 The College generated an operating surplus in the year of £399,000 (2011/12 surplus of £107,000) prior to the consolidation of its subsidiaries.

The consolidated operating surplus in the year excluding share of operating profit in joint venture was £66,000 (2011/12 £394,000). During the year, £257,000 of restructuring costs were incurred (2011/12 £743,000), and interest charges (net of pension finance costs) of £461,000 were also incurred (2011/12 £496,000)

- 7 The College has accumulated consolidated reserves of £30,289,000 excluding pension reserve (2011/12 - £29,685,000 excluding pension reserve) and consolidated cash balances of £9,617,000 (2011/12 - £9,874,000). The College wishes to continue to accumulate reserves and cash balances to fund further capital developments, and to reduce long-term loans.

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- 8 The College's portfolio of subsidiary companies stabilised during 2012/13, the companies part of the College Group include Amacus Limited, North East Apprenticeship Company Limited, the Gateshead College Foundation, Charge your Car (North) Limited, Zero Carbon Futures (UK) Limited, Tyneside Training Services Limited and Equality North East Limited.

Amacus Limited's primary operating activity is the delivery of Leadership and Management training. Amacus Limited continued to trade normally throughout the Financial Year to 31 July 2013.

The North East Apprenticeship Company Limited (hereafter referred to as NEAC) was an arrangement originally set-up between Gateshead College and Gateshead Council. This company was registered on 12th February 2010, and 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. On 1 February 2012 Gateshead College took full control of NEAC, NEAC continued to trade normally throughout the Financial Year to 31 July 2013.

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 2013 due to surplus being below the minimum threshold in 2012/13. The College has pledged to donate a further 1% of its surplus each year above a minimum threshold.

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. During the year to 31st July 2013 Zero Carbon Futures agreed a contract with Nissan Europe worth in excess of £2m to develop a network of Electric Vehicle Quick Chargers in the UK.

Charge your Car (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. Charge your Car (North) Limited has continued to develop the North East's electric car charging infrastructure, coupled with investing in another company, Charge your Car Limited. Charge your Car Limited is a company whose purpose is to provide a sophisticated back office system capable of operating the electric car charging infrastructure from any region of the UK.

On 2nd April 2012 Gateshead College acquired 100% ownership of Tyneside Training Services Limited for consideration of £nil, its principal business is in the provision of Forklift Truck and Heavy Goods Vehicle training. Tyneside Training Services continued to trade normally throughout the Financial Year to 31 July 2013.

On the 1st May 2012 Gateshead College acquired a further training organisation called Equality North East Limited, the company has a region-wide reputation in the delivery of Equality and Diversity training. Equality North East continued to trade normally throughout the Financial Year to 31 July 2013.

On the 31st July 2013 Gateshead College exchanged its 20% holding in Gazelle Global Limited for 11% of Enterprise Through Innovation Limited a company formed to exploit a new entrepreneurial curriculum. The other members are North Hertfordshire College 11%, New College Nottingham 11%, City College Norwich 11% and Warwickshire College 11%, Pearsons 22.5% and Gazelle Foundation 22.5%. Gateshead College also became one of 5 members of the Gazelle Foundation on 31st July 2013, a company limited by guarantee setup to promote and develop Entrepreneurial Education.

- 9 Tangible fixed asset additions to the group during the year totalled £1,358,000 which represented the ongoing update of facilities and equipment at the College campuses. This included breaking ground in the year to 31 July 2013 on the development of the Barmston Court site, funded by the

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regional Development Fund (RGF). This facility will be used as a development centre for Low Carbon Vehicle technologies.

- 10 The College has significant reliance on the Educational Funding Agency (EFA) (formerly the YPLA) and Skills Funding Agency (SFA) (formerly the LSC) for its principal funding sources, largely from recurrent grants. In 2012/2013 the EFA/SFA provided 78% of the College's total income.

Treasury Policies and Objectives

- 11 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

- 12 At £1,434,000 (2011/12 £2,644,000), operating cash flow is strong.

Liquidity

- 13 During the year, the College secured no additional short term borrowing but has repaid £434,000. The College has borrowings of £12,472,000 at 31 July 2013.

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 2012/2013 the margin was comfortably exceeded.

Accommodation Developments

- 14 During the year to 31 July 2013 the College began development of the Barmston Court site, funded by the Regional Growth Fund (RGF), this facility will be used as a development centre for Low Carbon Vehicle technologies. It is anticipated that the Barmston Court development will open for business on 31 March 2014. Also during the year to 31 July 2013, the College purchased the Land and Buildings from its subsidiary Tyneside Training Services, the intention is to develop the site into a facility with a national reputation for vehicle training.

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Student Numbers

- 15 The College is funded according to the level of activity it generates each year. In 2012/13 the College exceeded its learner number targets for 16-18, 19+ and HE.

Further Education	2011-2012		2012-2013		% +/-
	Headcount	SLNs	Headcount	SLNs	
16-18	3,355	3,344	3,630	3,572	+8.2%
19	8,948	4,099	10,770	4,690	+20.4%
Total FE	12,303	7,433	14,400	8,262	+17.0%
WBL	Headcount	SLNs	Headcount	SLNs	
16-18	224	904	551	1,207	+146.0 %
19+	4,308	5,203	4,472	5,405	+3.8%
Total WBL	4,532	6,107	5,023	6,612	+16.6%
Higher Education	Headcount		Headcount		
HE (FTE)	479		356		-25.7%

FTE – Full Time Equivalent
SLN – Standard Learner Numbers

- 16 In the FE sector growth continued to be heavily influenced by the continued economic recession during the year to 31 July 2013.

Student Success Rates

- 17 Student success rates in 2012/13 improved and are above national benchmarks.

FE	2011-12 Actual	2012-13 Actual
	%	%
Long course	79%	83%
Short course	89%	94%
All	87%	91%

Curriculum Developments

- 18 The curriculum offer is reviewed and updated on a regular basis to ensure that provision meets the needs of learners and employers.
- 19 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.

Post-Balance Sheet Events

- 20 The trading activities, certain assets and liabilities, and the remaining staff of Equality North East Limited and Tyneside Training Services Limited have transferred to Gateshead College as of 1st December 2013.

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Resources

- 21 The College has various resources that it can deploy in pursuit of its strategic objectives.
- 22 Tangible resources include five new campuses completed in the last seven years, the acquired site at Kingston Retail Park operated by Tyneside Training Services Limited which was purchased by the College for redevelopment in the year to 31st July 2013.
- 23 The College maintenance programme continues in the year to 31st July 2013, including the development of a sustainable technologies research centre on the Barmston Court retail park at Sunderland. These projects are to be funded by successful Regional Growth Fund (RGF) and European Regional Development Fund (ERDF) bids.

Financial

- 24 The Group has £50.1 million (2011/12 £48.5m) of net assets including £10.2 million pension liability (2011/12 £11.2m) and borrowings of £12.5 million (2011/12 £12.9m).

People

- 25 The College employs 596 people (expressed as full time equivalents), of whom 357 are teaching staff.

Reputation

- 26 The College reputation remains strong both locally and nationally, the College was inspected by OfSTED May 2012 and was graded as Satisfactory. The College expects to improve its rating during its next inspection, predicted to take place during Spring 2014.

PRINCIPAL RISKS AND UNCERTAINTIES:

- 27 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.
- 28 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.
- 29 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.

Staff and Student Involvement

- 30 The College considers good communication with its staff to be very important and to this end publishes a regular e-newsletter 'Click', which is available to all staff. It also has a communications group, which has cross-college representation and looks at improving the effectiveness of two-way communication within the College. The College encourages staff and student involvement through membership of formal committees. The College recognises the Students' Union as the formal representative body for students. Student representatives are members of the Board of Governors and Academic Board. The College continued to employ a

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student sabbatical officer during 2012/13, to further strengthen communication with the student body and enhance the 'learner voice'.

Taxation

- 31 The majority of the College's activities do not fall to be charged to corporation tax.

Stakeholder Relationships

- 32 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.

Equal Opportunities and Employment of Disabled Persons

- 33 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.

Equal Opportunities Statement

- 34 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.
- 35 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.

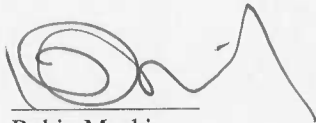
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Disclosure of Information to Auditor

- 36 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 12 December 2013 and signed on its behalf
by



Robin Mackie
Chair

12 December 2013

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Professional Advisers

Financial Statements and

Regularity Auditor:

Baker Tilly 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

Solicitors:

Muckle LLP
Time Central
32 Gallowgate
Newcastle upon Tyne
NE1 4BF

Close Brothers
Treasury Services
10 Crown Place
London
EC2A 4FJ

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

Lloyds TSB
102 Grey Street
Newcastle upon Tyne
NE1 6AG

Bond Dickinson
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112 Quayside
Newcastle upon Tyne
NE99 1SB

Square One Law
Anson House
The Fleming Business Centre
Burdon Terrace
Jesmond
Newcastle upon Tyne
NE2 3AE

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Corporate Governance Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2013.

THE CORPORATION

Members

The Governors who served on the Corporation during the year and up to the date of signature of this report were as follows:

	<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>Robin Mackie Chair</i>	<i>Reappointed with effect from End of April 2013</i>	<i>4 years</i>		<i>Governor*</i>	<i>Finance & General Purposes Committee Governance & Search Committee Remuneration Committee</i>
<i>Keith Cann Evans Vice Chair</i>	<i>Reappointed October 2013</i>	<i>4 years</i>		<i>Governor*</i>	<i>Chair-Finance & General Purposes Committee Academic Standards Committee Governance & Search Committee (from October 2011) Remuneration Committee</i>
<i>Allan Steele</i>	<i>Reappointed July 2009</i>	<i>4 years</i>	<i>Resigned June 2013</i>	<i>Governor*</i>	<i>Academic Standards Committee Chair – Governance & Search Committee Audit Committee Chair – Remuneration Committee</i>
<i>John McElroy</i>	<i>Reappointed October 2013</i>	<i>2 years</i>		<i>Governor*</i>	<i>Finance & General Purposes Committee</i>
<i>David Mitchell</i>	<i>Reappointed October 2013</i>	<i>4 years</i>		<i>Governor*</i>	<i>Chair - Academic Standards Committee Finance & General Purposes Committee Remuneration Committee</i>
<i>Ian Renwick</i>	<i>Reappointed December 2012</i>	<i>4 years</i>		<i>Governor*</i>	<i>Finance & General Purposes Committee Academic Standards Committee</i>
<i>Catherine Dennis</i>	<i>Appointed October 2012</i>	<i>2 years</i>		<i>Staff</i>	<i>Academic Standards Committee</i>
<i>Louise Ions (formerly Docherty)</i>	<i>Reappointed October 2010</i>	<i>2 years</i>	<i>Resigned October 2012</i>	<i>Staff</i>	<i>Audit Committee (until October 2011)</i>
<i>Alex Rutherford</i>	<i>Appointed December 2011</i>	<i>2 years</i>	<i>Resigned December 2012</i>	<i>Staff</i>	<i>Audit Committee (from March 2012)</i>
<i>Darren Heathcote</i>	<i>Appointed January 2013</i>	<i>2 years</i>		<i>Staff</i>	<i>Academic Standards Committee</i>

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	<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>Temporary appointment to audit committee</i>
<i>Chris Macklin</i>	<i>Reappointed December 2012</i>	<i>4 years</i>		<i>Governor*</i>	<i>Chair – Audit Committee</i>
<i>Kevin Fitzpatrick</i>	<i>Appointed February 2010</i>	<i>4 years</i>		<i>Governor*</i>	
<i>Ivan Jepson Vice Chair</i>	<i>Appointed March 2011</i>	<i>4 years</i>		<i>Governor*</i>	<i>Chair – Governance & Search Committee Finance & General Purposes Committee Remuneration Committee</i>
<i>Emily Cox</i>	<i>Appointed July 2012</i>	<i>4 years</i>		<i>Governor*</i>	<i>Chair – Remuneration Committee Governance & Search Committee</i>
<i>Sally Hancox</i>	<i>Appointed July 2012</i>	<i>4 years</i>		<i>Governor*</i>	
<i>Vivien Shipley</i>	<i>Appointed October 2012</i>	<i>4 years</i>	<i>Resigned September 2013</i>	<i>Governor*</i>	<i>Academic Standards Committee Audit Committee</i>
<i>Rebecca Anderson</i>	<i>Appointed July 2012</i>	<i>1 year</i>		<i>Sabbatical President of the Students' Union</i>	
<i>Ismael Bamba</i>	<i>August 2012</i>	<i>1 year</i>	<i>Resigned September 2012</i>	<i>Student 16-18</i>	
<i>Chloe Barker</i>	<i>January 2013</i>	<i>1 year</i>	<i>Resigned August 2013</i>	<i>Student 16-18</i>	
<i>Mark Taylor</i>	<i>Reappointed November 2013</i>	<i>1 year</i>		<i>Student 19+</i>	<i>Academic Standards Committee</i>
<i>Richard Thorold</i>	<i>August 2008</i>	<i>N/A</i>	<i>Retired August 2013 (stepped down as Principal)</i>	<i>Principal</i>	<i>Finance & General Purposes Committee Academic Standards Committee Governance & Search Committee</i>
<i>Judith Doyle Principal</i>	<i>August 2013</i>	<i>N/A</i>		<i>Principal</i>	<i>Finance & General Purposes Committee Academic Standards Committee Governance & Search Committee</i>
<i>Simone Wood</i>	<i>November 2013</i>	<i>1 year</i>		<i>Student 16-18</i>	
<i>Ms J Doxford acted as Clerk to the Corporation until 30 September 2012</i> <i>Dickinson Dees LLP, now known as Bond Dickinson LLP, has acted as Clerk to the Corporation since 1 October 2012</i> <i>Mr N Weddle was co-opted onto the Audit Committee</i> <i>* indicates appointment / reappointment under 2007 Articles of Government.</i>					

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

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capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets six times per year.

The corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the full corporation (and were recently revised in July 2013). These committees are finance and general purposes, remuneration, governance and search, audit and academic standards. 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.

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.

Student and Staff Governors are selected following an election process.

The Corporation has a Governance & Search Committee which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are 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

Remuneration Committee comprises the Chair of the Corporation, the Chair of Finance and General Purposes, the Chair of Governance and Search, the Chair of Academic Standards Committee and up to two other Corporation members. Emily Cox is currently the Chair of that committee.

The Committee meets as and when required. The Committee operates in accordance with written terms of reference approved by the Corporation and updated on 4 July 2013. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other members of the executive team.

Details of remuneration for the year ended 31 July 2013 are set out in note 7 to the financial statements.

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AUDIT COMMITTEE

Following a review of its terms of reference and membership at the commencement of the 2010/2011 session the membership of Audit Committee comprised four members of the Corporation plus an external co-optee. At the year-end 2012/2013 the Audit Committee comprised two members plus an external co-optee.

Since that date, a member has resigned and a further member has been co-opted (with the consent of Governance & Search) to fill the vacancy.

The committee operates in accordance with written terms of reference approved by the Corporation on 4 July 2013. 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 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 monitor 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 financial statement and regularity auditors and their remuneration for both audit and non-audit work.

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 him in the Financial Memorandum between the College and the Skills Funding Agency (SFA). 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 2013 and up to the date of approval of the annual report and accounts.

GATESHEAD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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 2013 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 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. At 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. Please note that a new Principal was appointed from 1 August 2013.

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 has been advised on the implications of the result of her review 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 Principal and senior management team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal and senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The 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 12 December 2013 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2013 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2013.

GATESHEAD COLLEGE

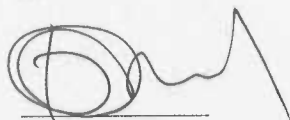
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

Based on the advice of the Audit Committee and the Principal, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

GOING CONCERN

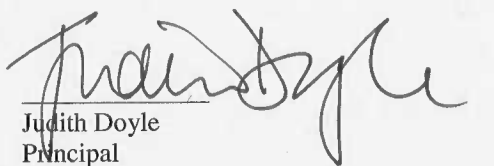
After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 12 December 2013 and signed on its behalf by:



Robin Mackie
Chair

12 December 2013



Judith Doyle
Principal

12 December 2013

GATESHEAD COLLEGE

STATEMENT OF THE 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 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 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the annual Accounts Direction issued jointly by the Skills Funding Agency and the Education Funding Agency, and applicable United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), and which give a true and fair view of the state of affairs of the Group and the College and of the Group'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 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 which 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 that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency / Education Funding Agency are used only in accordance with the Financial Memorandum with the the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency / Education Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 12 December 2013 and signed on its behalf by:



Robin Mackie – Chair

12 December 2013

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF GATESHEAD COLLEGE

We have audited the Group and College financial statements (the "financial statements") which comprise the Group Income and Expenditure Account, the Group and College Balance Sheets, the Group Cash Flow Statement, and the Group Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Chief Executive of Skills Funding and our engagement letter dated 1 October 2012 as supplemented by that dated 15 November 2013. 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 1 October 2012 as supplemented by that dated 15 November 2013 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.

Respective Responsibilities of the Corporation of Gateshead College and Auditor

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 17, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with the terms of our engagement letter dated 1 October 2012 as supplemented by that dated 15 November 2013, Audit Code of Practice issued by the Learning and Skills Council and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx)

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Groups' and the College's affairs as at 31 July 2013 and of the Group's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the Young People's Learning Agency and the Audit Code of Practice issued by the Learning and Skills Council requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

Baker Tilly UK Audit LLP

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

20 December 2013

INDEPENDENT REPORT TO THE CORPORATION OF GATESHEAD COLLEGE ('THE CORPORATION') AND THE CHIEF EXECUTIVE OF SKILLS FUNDING

In accordance with the terms of our engagement letter dated 1 October 2012 and further to the requirements of the Skills Funding Agency, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure (disbursed) and income (received) of Gateshead College ('the College') during the year ended 31 July 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and the Chief Executive of Skills Funding in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation and the Chief Executive of Skills Funding 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 and the Chief Executive of Skills Funding, for our work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of Gateshead College and Auditors
The College's Corporation is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations, and the financial memorandum for ensuring that expenditure disbursed and income received are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the Young People's Learning Agency and the Audit Code of Practice and the Regularity Audit Framework 2006/07 issued by the LSC and are to obtain reasonable assurance and report in accordance with our engagement letter and the Regularity Audit Framework 2006/07. We report to you whether, in our opinion, in all material respects, the College's expenditure disbursed and income received during the year ended 31 July 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the Young People's Learning Agency and the Audit Code of Practice and the Regularity Audit Framework 2006/07 issued by the LSC.

We performed a reasonable assurance engagement as defined in our engagement letter.

Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

Opinion

In all material respects the expenditure disbursed and income received during the year ended 31 July 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Chartered Accountants
St James' Gate
Newcastle upon Tyne
NE1 4AD

20 December 2013

GATESHEAD COLLEGE

CONSOLIDATED INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDING 31 JULY 2013

	Notes	Year Ended 31 July 2013 £000	Year Ended 31 July 2012 £000
Income: Group and Share of Joint Venture			
Funding Body Grants	2	38,468	35,790
Tuition fees and education contracts	3	3,353	2,920
Other income	4	6,321	3,418
Investment income	5	195	111
Less: share of Joint Venture Income	20	(304)	-
Total Income		48,033	42,239
Expenditure			
Staff costs	6	21,899	19,751
Exceptional restructuring costs	6	257	743
Other operating expenses	8	22,691	17,439
Depreciation and amortisation	12/13	2,599	3,333
Interest and other finance costs	9	521	576
Total Expenditure		47,967	41,842
Surplus on continuing operations after depreciation of assets and before tax		66	397
Share of Profit in Joint Venture		32	-
Taxation	10	(4)	(3)
Surplus on continuing operations of group and joint venture after depreciation of assets and tax retained within general reserves	11	94	394

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

GATESHEAD COLLEGE

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2013

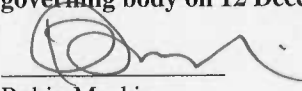
	Notes	2013 £000	2012 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation		94	394
Actuarial gain / (loss) in respect of pensions scheme	27	1,460	(4,030)
Total recognised gains / (losses) since last report		1,554	(3,636)
Reconciliation			
Opening reserves		18,505	22,141
Total recognised (losses) / gains for the year		1,554	(3,636)
Closing reserves		20,059	18,505

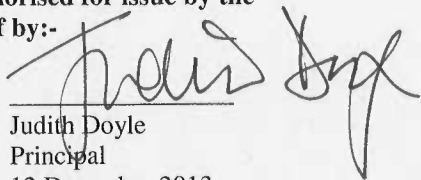
GATESHEAD COLLEGE

BALANCE SHEETS AT 31 JULY 2013

	Notes	Group 2013 £000	College 2013 £000	Group 2012 £000	College 2012 £000
Fixed assets					
Tangible assets	12	68,938	69,019	70,057	69,476
Goodwill	13	25	-	54	-
Investments	13	207	333	339	253
Investment in Joint Venture:					
Share of gross assets		538	-	-	-
Share of gross liabilities		(82)	-	-	-
		<u>69,626</u>	<u>69,352</u>	<u>70,450</u>	<u>69,729</u>
Current assets					
Stock		14	13	15	13
Debtors	14	5,389	4,651	4,015	3,159
Cash at bank and in hand		9,617	5,759	9,874	9,077
		<u>15,020</u>	<u>10,423</u>	<u>13,904</u>	<u>12,249</u>
Creditors: amounts falling due within one year	15	10,190	6,668	9,710	8,564
Net current assets		<u>4,830</u>	<u>3,755</u>	<u>4,194</u>	<u>3,685</u>
Total assets less current liabilities		74,456	73,107	74,644	73,414
Creditors: amounts falling due after more than one year	16	(13,354)	(13,354)	(14,180)	(14,180)
Provisions for liabilities	18	(780)	(780)	(740)	(740)
Net assets excluding pension liability		60,322	58,973	59,724	58,494
Net pension liability	27	(10,230)	(10,230)	(11,180)	(11,180)
NET ASSETS including pension liability		<u>50,092</u>	<u>48,743</u>	<u>48,544</u>	<u>47,314</u>
Deferred capital grants	19	30,033	29,609	30,039	30,039
Reserves					
I&E Account excluding pension reserve	21	30,289	29,364	29,685	28,455
Pension reserve	27	(10,230)	(10,230)	(11,180)	(11,180)
I&E Account including pension reserve	21	20,059	19,134	18,505	17,275
Total reserves		20,059	19,134	18,505	17,275
TOTAL FUNDS		<u>50,092</u>	<u>48,743</u>	<u>48,544</u>	<u>47,314</u>

The financial statements on pages 20 to 49 were approved and authorised for issue by the governing body on 12 December 2013 and were signed on its behalf by:-


Robin Mackie
Chair
12 December 2013


Judith Doyle
Principal
12 December 2013

GATESHEAD COLLEGE
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2013

	Notes	2013 £000	2012 £000
Cash flow from operating activities	22	1,434	2,644
Returns on investments and servicing of finance	23	(266)	(385)
Taxation		(4)	(3)
Capital expenditure and financial investment	24	(987)	(7,175)
Financing	25	(434)	(424)
(Decrease) / Increase in cash in the period		<u>(257)</u>	<u>(5,343)</u>
 Reconciliation of net cash flow to movement in net Funds / (Debt)			
(Decrease) / Increase in cash in the year		(257)	(5,343)
Cash outflow from decrease in debt financing	25	<u>434</u>	<u>424</u>
Movement in net funds in the year		177	(4,919)
Net (debt) / funds at start of year		(3,032)	1,887
Net (Debt) at end of year	26	<u>(2,855)</u>	<u>(3,032)</u>

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

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.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP), Accounts Direction for 2012-13 Financial Statements published by the Skills Funding Agency and Education Funding Agency and in accordance with all applicable accounting standards.

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 16.

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, Charge your Car (North) Limited, Tyneside Training Services Limited and Equality North East Limited. 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. Provision is made for any impairment. All financial statements are made up to 31 July 2013. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 2, the activities of the student union have not been consolidated because the College does not control those activities.

Joint Ventures

Undertakings in which the group has a long term interest and shares control under a contractual arrangement are defined as joint ventures. Joint ventures are accounted for using the gross equity method.

Recognition of income

Income from Tuition Fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent that the conditions of the funding have been met or on the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement of 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 at the end of November following the year end. This process may involve negotiations in respect of overachievement or adjustment to clawback in respect of underachievement; however where negotiations are subsequent to the year end, they are not reflected in income recognised. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments. The income recognised is the allocation for the year.

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

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

1 Statement of Accounting Policies (*continued*)

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 27, 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 adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

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.

Tangible fixed assets

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.

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

1 Statement of Accounting Policies (*continued*)

Land and buildings (cont.)

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.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on 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

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 years
Equipment	-	2 to 5 years
Vehicles	-	4 years

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

Amortisation

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. 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.

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

1 Statement of Accounting Policies (*continued*)

Leased assets (cont.)

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.

Investments

Fixed asset investments are stated at historical cost less any provision for impairment in their value.

Stocks

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

Maintenance of premises

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

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 the income and expenditure account in the period in which they arise.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by 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.

Liquid Resources

Liquid resources include short-term deposits with recognised banks, building societies and government securities.

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

1 Statement of Accounting Policies *(continued)*

Provisions

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

Discretionary Support Funds

The Discretionary Support Fund grant from the SFA 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 32, 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

2 Funding Body Grants

	Year ended 2013 £000	Year ended 2012 £000
Recurrent grant – EFA/SFA	26,057	27,051
Train to Gain – SFA	1,672	2,189
Apprenticeships – SFA	4,865	3,875
Released deferred capital grants – EFA/SFA	462	494
Other EFA/SFA grants	4,540	812
Recurrent grant – HEFCE	859	1,347
Other HEFCE grants	13	22
Total	38,468	35,790

3 Tuition Fees and Education Contracts

	Year ended 2013 £000	Year ended 2012 £000
UK Higher Education students	417	449
UK Further Education students	753	642
	<u>1,171</u>	<u>1,091</u>
Education contracts		
Other contracts	1,864	1,584
Higher Education contracts	318	245
Total	3,353	2,920

4 Other Income

	Year ended 2013 £000	Year ended 2012 £000
Catering and conferences	117	181
Other income generating activities	238	62
Other grant income	4,319	1,882
Releases from deferred capital grants (non Funding Body)	577	717
Other income	766	576
Share of Joint Venture Income	304	-
Total	6,321	3,418

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

5 Investment Income

	Year ended 2013 £000	Year ended 2012 £000
Other interest receivable	195	111
	<u>195</u>	<u>111</u>

6 Staff Costs

The average monthly number of persons (including senior post-holders) employed by the College during the year, expressed as full-time equivalents, was

	Year ended 2013 Number	Year ended 2012 Number
Teaching departments – teaching staff	357	321
Teaching support services	93	101
Administration and central services	133	103
Premises	9	9
Other	4	5
	<u>596</u>	<u>539</u>

Staff costs for the above persons:

	Year ended 2013 £000	Year ended 2012 £000
Wages and salaries	18,437	17,359
Social security costs	1,350	1,176
Other pension costs (including FRS17 adjustments of £450k {2012: £190k})	2,369	1,959
	<u>22,156</u>	<u>20,494</u>

Staff costs shown above include £257k (2011/12 £743k) of restructuring costs. These amounts were approved by the Corporation and are shown separately on the face of the Income and Expenditure Account.

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

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

	Year ended 31 July 2013		Year ended 31 July 2012	
	Number senior post-holders	Number Other Staff	Number senior post-holders	Number Other Staff
£ 70,001 to £ 80,000	-	-	-	3
£ 80,001 to £ 90,000	-	-	-	-
£ 90,001 to £ 100,000	-	2	-	-
£ 100,001 to £ 110,000	-	-	1	-
£ 110,001 to £ 120,000	-	-	1	-
£ 120,001 to £ 130,000	3	-	1	-
£ 130,001 to £ 140,000	-	-	-	-
£ 140,001 to £ 150,000	-	-	-	-
£ 150,001 to £ 160,000	-	-	-	-
£ 160,001 to £ 170,000	-	-	-	-
£ 170,001 to £ 180,000	1	-	1	-
	<u>4</u>	<u>2</u>	<u>4</u>	<u>3</u>

7 Senior Post-Holders' Emoluments

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

	Number 2013	Number 2012
The number of senior post-holders including the principal was:	<u>4</u>	<u>4</u>
Senior post-holders' emoluments are made up as follows:		
	£	£
Salaries (including bonuses)	555,165	550,480
Pension contributions	75,146	72,610
Total emoluments	<u>630,311</u>	<u>623,090</u>

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

	Year ended 2013 £	Year ended 2012 £
Salary (including bonuses)	180,000	174,400
Pension contributions	<u>24,816</u>	<u>22,687</u>
	<u>204,816</u>	<u>197,087</u>

The pension contributions in respect of the Principal and other senior post holders relate to the Teachers Pension Scheme and the Local Government Pension Scheme. These are paid at the same rate as for other employees.

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

7 Senior Post-Holders' Emoluments (*continued*)

The members of the Corporation other than the principal and 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.

8 Other Operating Expenses

	2013 £'000	2012 £'000
Teaching	1,243	1,593
Non Teaching Costs	5,298	4,721
Premises Costs	5,088	3,251
Franchised provision and partner payments	11,062	7,874
Total	22,691	17,439
Other operating expenses include:		
Auditors' remuneration:		
financial statements and regularity audit*	39	32
internal audit**	25	26
other services from external auditors	16	17
other services from internal auditors	-	-
Gain / (loss) on disposal of Fixed Assets	(8)	(10)
Operating lease costs:		
Plant and Machinery	-	-
Other	63	92

* £20,790 in respect of the College (2011/12 £21,000)

** in respect of the College

GATESHEAD COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

9 Interest Payable

	Year ended 2013 £000	Year ended 2012 £000
Bank Interest	461	496
Pension finance costs (note 27)	60	80
Total	521	576

10 Taxation

	Year ended 2013 £000	Year ended 2012 £000
Taxation – Subsidiary	4	3
Total	4	3

11 Surplus On Continuing Operations For The Period

The surplus on continuing operations for the period is made up as follows:

	Year ended 2013 £000	Year ended 2012 £000
College's surplus for the period	399	107
Surplus generated by subsidiary undertakings	(305)	287
Total	94	394

GATESHEAD COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

12 Tangible Fixed Assets (Group)

	Freehold £000	Long Leasehold £000	Equipment £000	Total £000
Cost				
At 1 August 2012	65,234	6,947	9,071	81,252
Additions	900	-	458	1,358
Disposals	-	-	(156)	(156)
At 31 July 2013	66,134	6,947	9,373	82,454
Depreciation				
At 1 August 2012	4,926	1,087	5,182	11,195
Charge for year	1,396	225	848	2,469
Eliminated in respect of disposal	-	-	(148)	(148)
At 31 July 2013	6,322	1,312	5,882	13,516
Net book value				
At 31 July 2013	59,812	5,635	3,491	68,938
Net book value				
At 1 August 2012	60,308	5,860	3,889	70,057

GATESHEAD COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

12 Tangible Fixed Assets (College Only)

	Freehold £000	Long Leasehold £000	Equipment £000	Total £000
Cost				
At 1 August 2012	64,709	6,946	8,834	80,489
Additions	1,557	-	421	1,978
Disposals	-	-	(152)	(152)
At 31 July 2013	66,266	6,946	9,103	82,315
Depreciation				
At 1 August 2012	4,925	1,088	5,000	11,013
Charge for year	1,397	223	807	2,427
Eliminated in respect of disposal	-	-	(144)	(144)
At 31 July 2013	6,322	1,311	5,663	13,296
Net book value				
At 31 July 2013	59,944	5,635	3,440	69,019
Net book value				
At 1 August 2012	59,784	5,858	3,834	69,476

Cumulative finance costs capitalised included in the cost of tangible assets amount to £1,084,683 (2012 - £1,084,643), with £nil (2012 - £0) being capitalised in the year for the group and college.

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

13 Investments

Group

	2013 £000	2012 £000
Investments in Charge your Car Ltd at cost	425	425
Less: Contribution from ONE North East	(212)	(212)
Less: Contribution from OLEV	(212)	-
Investment in Enterprise Innovation Ltd (formerly Gazelle Global Ltd) at cost	206	126
	<u>207</u>	<u>339</u>

College

	2013 £000	2012 £000
Investments in Amacus Limited at cost	127	127
Investment in Enterprise Innovation Ltd (formerly Gazelle Global Ltd) at cost	206	126
	<u>333</u>	<u>253</u>

Goodwill

Group

	2013 £000	2012 £000
Goodwill Brought forward at 1 August	54	37
Additions	101	39
Amortisation	(130)	(22)
Goodwill Carried forward at 31 July	<u>25</u>	<u>54</u>

The College acquired 100% of the issued ordinary £1 shares of Amacus Limited on 4 July 2008. The principal business of Amacus Limited is the provision of Leadership & Management training. The agreed purchase price of £126,500 for Amacus Limited included goodwill of £97,686. As at 31 July 2013 this goodwill has a carrying value of £0.

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.

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 2013, 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 2012/13 this was not achieved preventing an annual donation.

Zero Carbon Futures (UK) Limited was incorporated on the 29th June 2011, this companies primary

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

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 2013 Zero Carbon Futures (ZCF) was given a grant of £3.3m from Nissan Europe as part of its Incubator project, to create a network of Electric Vehicle quick chargers in the UK.

Charge your Car (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. Charge your Car (North) Limited has continued to develop the North East's electric car charging infrastructure, coupled with investing in another Charge your Car Limited. Charge your Car Limited is a company whose purpose is to provide a sophisticated back office system capable of operating the electric car charging infrastructure from any region of the UK.

On 2nd April 2012 Gateshead College acquired 100% ownership of Tyneside Training Services Limited for consideration of £nil, its principal business is in the provision of Forklift Truck and Heavy Goods Vehicle training.

On the 31st July 2013 Gateshead College exchanged its 20% holding in Gazelle Global Limited for 11% of Enterprise Through Innovation Limited a company formed to exploit a new entrepreneurial curriculum. The other members are North Hertfordshire College 11%, New College Nottingham 11%, City College Norwich 11% and Warwickshire College 11%, Pearsons 22.5% and Gazelle Foundation 22.5%. Gateshead College also became one of 5 members of the Gazelle Foundation on 31st July 2013, a company limited by guarantee setup to promote and develop Entrepreneurial Education.

On the 1st May 2012 Gateshead College acquired a further training organisation called Equality North East Limited, the company has a region-wide reputation in the delivery of Equality and Diversity training.

14 Debtors

	Group 2013 £000	College 2013 £000	Group 2012 £000	College 2012 £000
Amounts falling due within one year:				
Trade debtors	1,368	966	923	698
Amounts owed by Group Undertakings	-	195	3	1,093
Prepayments	1,325	1,249	2,203	927
Other debtors (including accrued income) *	2,696	2,241	886	441
Total	5,389	4,651	4,015	3,159

* includes £1,681k (2012: £287k) from the EFA/SFA.

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

15 Creditors: Amounts Falling Due Within One Year

	Group 2013 £000	College 2013 £000	Group 2012 £000	College 2012 £000
Bank Loans	445	445	434	434
Payments received in advance*	5,208	1,747	2,274	487
Trade creditors	2,660	2,504	3,194	3,080
Amounts owed to Group Undertakings	-	188	-	1348
Other taxation and social security	886	830	1070	949
Accruals	693	670	1,967	1,923
Other creditors	298	284	771	343
	10,190	6,668	9,710	8,564

* includes £38k (2012: £58k) owed to the EFA/SFA.

16 Creditors: Amounts Falling Due After More Than One Year

	Group 2013 £000	College 2013 £000	Group 2012 £000	College 2012 £000
Bank loans	12,027	12,027	12,472	12,472
Other creditors	1,327	1,327	1,708	1,708
	13,354	13,354	14,180	14,180

Other long term creditors represent VAT recovered on the Baltic Campus and Skills Academy for Construction repayable between 1 year and 5 years' time.

17 Borrowings

	Group 2013 £000	College 2013 £000	Group 2012 £000	College 2012 £000
Bank Loans				
Bank loans are repayable as follows:				
In one year or less or on demand	445	445	434	434
Between one and two years	456	456	445	445
Between two and five years	1,437	1,437	1,400	1,400
In five years or more	10,134	10,134	10,627	10,627
Total	12,472	12,472	12,906	12,906

The term loan is split into two elements £7,283,856.84 at 5.49% fixed for 25 years and £5,187,500 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 FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

18 Provisions for Liabilities

	Group and College	
	Enhanced Pension £000	Total £000
At 1 August 2012	740	740
Expenditure in the period	40	40
Transferred from income and expenditure account		
At 31 July 2013	<u>780</u>	<u>780</u>

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with the SFA Accounts Direction Handbook.

19 Deferred Capital Grants

Deferred Capital Grants – Group

	YPLA/SFA £000	Other grants £000	Total £000
At 1 August 2012	19,912	10,127	30,039
Additions	-	1,033	1,033
Released to income and expenditure	(462)	(577)	(1,039)
At 31 July 2013	<u>19,450</u>	<u>10,583</u>	<u>30,033</u>

Deferred Capital Grants – College

	YPLA/SFA £000	Other grants £000	Total £000
At 1 August 2012	19,912	10,127	30,039
Additions	-	609	609
Released to income and expenditure	(462)	(577)	(1,039)
At 31 July 2013	<u>19,450</u>	<u>10,159</u>	<u>29,609</u>

20 Joint Venture

The College's wholly owned subsidiary, Charge your Car (North) Limited entered into a joint venture agreement, setting up a new company, Charge your Car Limited. The company holds 50% of the issued share capital of Charge your Car Limited, whose principal activity is to provide a sophisticated back office system capable of operating the electric car charging infrastructure located in any region of the UK.

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

21 Movement On General Reserves

	Group Year ended 2013 £000	College Year ended 2013 £000	Group Year ended 2012 £000	College Year ended 2012 £000
Income and Expenditure Account Reserve	18,505	17,275	22,141	21,198
At 1 August 2012				
Surplus on continuing operations after tax	94	399	394	107
Transfer from revaluation reserve	-	-	-	-
Gain on Disposal of Assets	-	-	-	-
Actuarial Gain / (Loss)	1,460	1,460	(4,030)	(4,030)
At 31 July 2013	20,059	19,134	18,505	17,275

Balance represented by:

Pension reserve	(10,230)	(10,230)	(11,180)	(11,180)
Income and expenditure account reserve including pension reserve	30,289	29,364	29,685	28,455
At 31 July 2013	20,059	19,134	18,505	17,275

22 Reconciliation Of Consolidated Operating Surplus To Net Cash Outflow From Operating Activities

	Year ended 2013 £000	Year ended 2012 £000
Surplus on continuing operations after depreciation of assets at cost	66	397
Depreciation and amortisation (notes 12 & 13)	2,599	3,333
Loss / (Gain) on disposal of fixed assets	8	(10)
Deferred capital grants released to income (note 2&4)	(1,039)	(1,210)
Interest payable (note 9)	461	496
FRS17 Charge to Income and Expenditure	510	270
Decrease / (Increase) in Stocks	1	2
Decrease / (Increase) in Debtors	(1,410)	(1,591)
(Decrease) / Increase in Creditors	556	383
Increase / (Decrease) in Provisions	40	40
Interest receivable (note 5)	(195)	(111)
Deferred capital grants receivable not received	(163)	645
Net cash inflow from operating activities	1,434	2,644

GATESHEAD COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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23 Returns On Investments And Servicing Of Finance

	Year ended 2013 £000	Year ended 2012 £000
Other interest received	195	111
Bank loan interest	(461)	(496)
Net cash (outflow) from returns on investment and servicing of finance	(266)	(385)

24 Capital Expenditure And Financial Investment

	Year ended 2013 £000	Year ended 2012 £000
Purchase of tangible fixed assets	(1,425)	(7,397)
Deferred capital grants received	609	460
Investment in Joint Venture	-	(213)
Investment in Enterprise through Innovation Ltd	(171)	(35)
Sale of tangible fixed assets	-	10
Net cash inflow /(outflow) from capital expenditure and financial	(987)	(7,175)

25 Financing

	Year ended 2013 £000	Year ended 2012 £000
Repayment of bank loans	(434)	(424)
New bank loan	-	-
Net cash (outflow) from financing	(434)	(424)

26 Analysis Of Change In Net Funds

	At 1 August 2012 £000	Cashflows £000	Other non- cash movement £000	At 31 July 2013 £000
Cash in hand, and at bank	9,874	(257)	-	9,617
	9,874	(257)	-	9,617
Debt due within 1 year	(434)	434	(445)	(445)
Debt due after 1 year	(12,472)	-	445	(12,027)
Total	(3,032)	177	-	(2,855)

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

27 Pensions And Similar Obligations

The College's employees belong to two principal pension schemes, the Teachers' Pensions Scheme England and Wales (TPS) for academic and related staff; and the Local Government Superannuation Scheme (LGSS). Both schemes are defined benefit schemes.

	Year ended 2013 £000	Year ended 2012 £000
Total pension cost for the year		
Stakeholder Pension: contribution paid	15	
Teachers Pension Scheme: contribution paid	1,012	962
Local Government Pension Scheme		
Contribution Paid	892	807
FRS17 Adjustment	450	190
Charge to the Income & Expenditure Account (Staff Costs)	2,369	1,959
Enhanced Pension Charges to the Income & Expenditure Account (Staff Costs)	40	40
Total Pension cost for the Year	2,409	1,998

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and the LGPS 31 March 2010.

Teachers' Pension Scheme

The Teachers' Pensions Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. Retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pensions Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pensions Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

27 Pensions and Similar Obligations (continued)

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

Employer and employee contribution rates

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013/14 and 2014/15.

The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

The pension costs paid to TPS in the year amounted to £1,637,000 (2012: £1,471,000)

FRS 17

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption under FRS 17 and has accounted for its contributions as if it were a defined contribution scheme. The College has set out above the information available on the deficit in the scheme and the implications for the College in terms of anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Tyne & Wear Pension Fund. The total contribution made for the year ended 31 July 2013 was £1,202k of which the employers contributions totaled £807k and employees contributions totalled £395k. The agreed contribution rates for future years are 17.3% for employers and between 5.5% and 7.5% for employees, depending on salary.

FRS 17

The Financial Reporting Standard 17 "Retirement Benefits" (FRS17) requires that the following further disclosure is made about the defined benefit pension scheme. The actuarial valuation has been updated by the qualified scheme actuary to 31 July 2013

Principal Financial Assumptions	At 31 July 2013	At 31 July 2012	At 31 July 2011
Rate of increase in salaries	4.6%	4.6%	5.2%
Rate of increase for pensions in payment/inflation	2.7%	2.1%	2.8%
Discount rate for liabilities	4.5%	4.1%	5.3%

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

27 Pensions and Similar Obligations (continued)

Principal Demographic Assumptions

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 2013	At 31 July 2012
<i>Retiring today</i>		
Males	21.7	21.6
Females	23.9	23.8
<i>Retiring in 20 years</i>		
Males	23.5	23.4
Females	25.8	25.7

The amounts recognised in the balance sheets are as follows:

	Value at 31 July 2013	Value at 31 July 2012
		£000
Fair value of scheme assets	21,380	17,530
Present value of liabilities	(31,610)	(28,710)
(Deficit) in the scheme	(10,230)	(11,180)

	2013 £000	2012 £000
Movements in the present value of defined benefits obligation were as follows:		

Liabilities at 1 August	28,710	23,170
Service cost	1,510	1,170
Interest cost	1,210	1,260
Employee contributions	430	390
Actuarial Loss	80	3,090
Benefits paid	(380)	(370)
Past service cost	50	-
Curtailments and settlements	-	-
Liabilities at 31 July	31,610	28,710

Movements in the fair value of the College's share of scheme assets:

	2013 £000	2012 £000
Assets at 1 August	17,530	16,290
Expected return on assets	1,150	1,180
Actuarial gain	1,540	(940)
Employer contributions	1,110	980
Employee contributions	430	390
Benefits paid	(380)	(370)
Assets at 31 July	21,380	17,530

GATESHEAD COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

27 Pensions and Similar Obligations (continued)

Analysis of the amount charged to income and expenditure account

	Year ended 2013 £000	Year ended 2012 £000
Current service cost (net of employer contributions)	400	190
Past service cost	50	-
Total operating charge	450	190

Analysis of pension finance (costs) / income

	Year ended 2013 £'000	Year ended 2012 £000
Expected return on pension scheme assets	1,150	1,180
Interest on pension liabilities	(1,210)	(1,260)
Pension finance (costs) / income	(60)	(80)

The actual return on scheme assets for the year was £2.69m (2011/12: (£0.24m))

The College expects to contribute £1,100k to its defined benefit pension plan in the year to 31 July 2014.

Amount recognised in the statement of total recognised gains and losses

	Year ended 2013 £000	Year ended 2012 £000
Actual return less expected return on pension scheme assets	1,540	(940)
Experience gains and losses arising on the scheme liabilities	(10)	(150)
Change in financial and demographic assumptions underlying the scheme liabilities	(70)	(2,940)
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	1,460	(4,030)
Cumulative Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(6,230)	(7,690)

GATESHEAD COLLEGE

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FOR THE YEAR ENDED 31 JULY 2013

27 Pensions and Similar Obligations (continued)

Movement in (deficit) during year

	Year ended 2013 £000	Year ended 2012 £000
(Deficit) in scheme at 1 August	(11,180)	(6,880)
Movement in year:		
Employer service cost	(1,510)	(1,170)
Employer contributions	1,110	980
Past service cost	(50)	-
Net interest/return on assets	(60)	(80)
Actuarial gain or loss	1,460	(4,030)
(Deficit) in scheme at 31 July	(10,230)	(11,180)

The major categories of plan assets (of which the College's share is estimated to be 0.032%) as a percentage of total plan assets attributable to Gateshead College in the defined benefit scheme, and their expected rates of return were:

	Expected return at 31 July 2013	Proportion of assets at 31 July 2013	Fair Value at 31 July 2013 £000	Expected return at 31 July 2012	Proportion of assets at 31 July 2012	Fair Value at 31 July 2012 £000
Equities	7.8%	66.6%	14,239	7.5%	65.9%	11,552
Corporate Bonds	4.0%	11.6%	2,480	3.2%	12.1%	2,121
Property	7.3%	8.9%	1,903	7.0%	9.0%	1,578
Other	8.7%	9.3%	1,988	8.9%	5.7%	999
Government Bonds	3.3%	3.6%	770	2.5%	7.3%	1,280
Total market value of assets			21,380			17,530

History of asset values, present value of liabilities and deficit in the scheme

	2013 £000	2012 £000	2011 £000
Experience adjustments on scheme assets:	1,460	(940)	500
Experience adjustments on scheme liabilities:	(10)	(150)	(40)
	2013 £000	2012 £000	2011 £000
Defined benefit obligation	(31,610)	(28,710)	(23,170)
Fair value of scheme assets	21,380	17,530	16,290
Deficit in the scheme	(10,230)	(11,180)	(6,880)

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FOR THE YEAR ENDED 31 JULY 2013

28 Capital Commitments

	Group and College	
	2013	2012
	£000	£000
Commitments contracted for at 31 July	2,729	3,444

29 Financial Commitments

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

	Group and College	
	2013	2012
	£000	£000
Land and Buildings		
Expiring within one year	12	7
Expiring within two and five years inclusive	-	-
Expiring in over five years	54	54
	<u>66</u>	<u>61</u>

30 Contingent Liability

The College has been in receipt of significant income from the European Social Fund (ESF) in recent years, and has received £4,137,000 in the year ended 31 July 2013 (2012: £618,738), this was obtained via contracts with the Skills Funding Agency (formerly the LSC). The College was also in receipt of £9,911 from the European Regional Development Fund in the year ended 31 July 2013.

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.

31 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.

The College has taken advantage of the exemption available under Financial Reporting Standard 8 not to disclose transactions with its 100% subsidiaries.

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

32 Discretionary Support Funds

	2013 £'000	2012 £'000
Access Funds		
Skills Funding Agency Grants – Hardship support	780	683
	<u>780</u>	<u>683</u>
Disbursed to students	(741)	(579)
Administration costs	(39)	(34)
	<u>-</u>	<u>70</u>
Other Discretionary Support Funds		
Skills Funding Agency Grants – 20+ Childcare Support	308	127
	<u>308</u>	<u>127</u>
Disbursed to students	(293)	(134)
Administration costs	(15)	(6)
	<u>-</u>	<u>(13)</u>
HE Hardship Funds		
Grants	22	26
	<u>22</u>	<u>26</u>
Disbursed to students	(21)	(19)
Administration costs	(1)	(1)
	<u>-</u>	<u>6</u>

Skills Funding Agency and HE Hardship grants are available solely for students; the College acts only as a paying agent. The income and expenditure are therefore excluded from the Income and Expenditure Account.

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FOR THE YEAR ENDED 31 JULY 2013

33 Acquisitions

Equality North East Limited

On 1 May 2012, Gateshead College became the sole member and thus assumed control of Equality North East Limited, a company incorporated in England, for £nil consideration.

Net liabilities acquired:

	Book and fair value at 1 May 2012 £'000
Fixed assets	2
Current assets	39
Cash at bank and in hand	-
Current liabilities	(111)
Net liabilities	<u>(70)</u>

A summary of the income and expenditure account for The Equality North East Limited for the period subsequent to its latest reported results is as shown below. There were no gains and losses other than those dealt with in the income and expenditure account.

	Period for Year to 1 May 2012 £'000
Turnover	<u>162</u>
Operating deficit	<u>(11)</u>
Deficit on ordinary activities before taxation	(11)
Taxation	-
Deficit on ordinary activities after taxation	<u>(11)</u>