
GATESHEAD COLLEGE

**Report and Financial Statements
For the Year Ended 31 July 2014**

GATESHEAD COLLEGE

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OPERATING AND FINANCIAL REVIEW OF THE CORPORATION FOR THE PERIOD FROM 1 AUGUST 2013 TO 31 JULY 2014

The members present their report and the audited financial statements for the year ended 31 July 2014.

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 to provide an identifiable public benefit by:
 - 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 £43.2m for 2014/15, and a surplus of £51k.
- To maintain financial health as good to the period 31 July 2015
- To achieve financial management self-assessment grade of good over the period of the plan
- To maintain financial capability to self fund future capital investment including accommodation

Financial Objectives 2013/14

- To generate turnover of £45.6m – Achieved at £46.4m

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- To generate a surplus of £79,000 – Surplus above target at £92,000, after deduction of FRS17 interest and service charges of £360,000, and before loss on sale of the joint venture of £32,000.
- To generate a current ratio greater than 1 at 31 July 2014 – 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 2013/2014 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 loss in the year of £66,000 (2012/13 surplus of £399,000) prior to the consolidation of its subsidiaries.

The consolidated operating surplus in the year excluding share of operating profit in joint venture was £92,000 (2012/13 £66,000). During the year, £850,000 of restructuring costs were incurred (2012/13 £257,000), and interest charges (net of pension finance costs) of £443,000 were also incurred (2012/13 £461,000)

- 7 The College has accumulated consolidated reserves of £30,706,000 excluding pension reserve (2012/13 - £30,289,000 excluding pension reserve) and consolidated cash balances of £7,248,000 (2012/13 - £9,617,000). 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 continued to stabilise during 2013/14, the companies part of the College Group include Amacus Limited, North East Apprenticeship Company Limited, the Gateshead College Foundation, Zero Carbon Futures (North) Limited (Formerly known as Charge your Car (North) Limited), Zero Carbon Futures (UK) Limited, Tyneside Training Services Limited, Equality North East Limited and Gateshead Sport Management (Malaysia) SDN.BHD.

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 2014.

The North East Apprenticeship Company Limited (hereafter referred to as NEAC) was registered on 12th February 2010, its primary operating activity is to engage with local SME's to create new work placement opportunities for apprentices, and to support their apprentices enabling them to complete their qualification and find appropriate full-time employment. NEAC continued to trade normally throughout the Financial Year to 31 July 2014.

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 2014 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 £4.7m to develop a network of Electric Vehicle Quick Chargers in the UK, the company agreed a contract worth a further £4.9m during the year to 31st July 2014.

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. This project is now complete. Charge your Car (North) Limited sold its share in Charge your Car Limited during the Financial Year to 31 July 2014. Charge your Car (North) Limited has changed its name to Zero Carbon Futures (North) Limited.

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. The operations of Tyneside Training Services were hived up into Gateshead College, and the company became dormant during the Financial Year to 31 July 2014.

On the 31st July 2013 Gateshead College exchanged its 20% holding in Gazelle Global Limited for 11% of Enterprise Through Innovation Limited, now called Gazelle Transform 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. The operations of Equality North East Limited were hived up into Gateshead College, and the company became dormant during the Financial Year to 31 July 2014.

On the 15th May 2014 Gateshead College setup accompany based in Malaysia called Gateshead Sport Management (Malaysia) SDN.BHD. This company was setup to manage a Sports Stadium contract in EduCity in Malaysia, as an initial step in Gateshead College's international strategy in Asia. The company continued to trade normally until the end of the Financial Year to 31 July 2014.

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- 9 Tangible fixed asset additions to the group during the year totalled £4,072,000 which represented the ongoing update of facilities and equipment at the College campuses. This included continuing development of the Barmston Court site, part funded by the 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 2013/2014 the EFA/SFA provided 76% 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 £1,199,000 (2012/13 £1,434,000), operating cash flow is strong.

Liquidity

- 13 During the year, the College secured no additional short term borrowing but has repaid £455,000. The College has borrowings of £12,027,000 at 31 July 2014.

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 2013/2014 the margin was comfortably exceeded.

Accommodation Developments

- 14 During the year to 31 July 2014 the College continued development of the Barmston Court site, part funded by the Regional Growth Fund (RGF), this facility will be used as a development centre for Low Carbon Vehicle technologies. Barmston Court opened for business on 1 May 2014, four companies are now tenants of the facility Smiths Electric Vehicle Technologies Limited, Hyperdrive Limited, Tadea Limited and Elm EV Limited

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Student Numbers

- 15 The College is funded according to the level of activity it generates each year. In 2013/14 the College exceeded its learner number targets for 16-18, 19+ and HE. The fall in headcount in 2013/14, particularly in the 16-18 FE area, is due to the introduction of study programmes and reduced part-time provision.

Further Education	2012-2013	2013-2014	%+/-
	Headcount	Headcount	
16-18	3,630	2,938	-19.1%
19	10,770	8,025	-25.5%
Total FE	14,400	10,963	-23.9%
WBL	Headcount	Headcount	
16-18	551	562	+2.0 %
19+	4,472	4,113	-8.0%
Total WBL	5,023	4,675	-6.9%
Higher Education	Headcount	Headcount	
HE	356	433	+21.6%

- 16 In the FE sector growth continued to be influenced by the continued economic recession during the year to 31 July 2014.

Student Success Rates

- 17 Student success rates in 2013/14, particularly on long level programmes, are improved and above national benchmarks. Student success rates exceeded targets due to improvements in the College's key priority, student success on long level programmes

FE	2012-13 Actual %	2013-14 Actual %
Long course	83%	87%
Short course	94%	91%
All	91%	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 There are no post balance sheet events

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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 six newly built campuses completed in the last eight years. In addition the College acquired the site at Kingston Retail Park formerly operated by Tyneside Training Services Limited.
- 23 The College maintenance programme continues in the year to 31st July 2014, including the continued development of a sustainable technologies research centre on the Barmston Court retail park at Sunderland. This project is funded by successful Regional Growth Fund (RGF) and Skills Funding Agency (SFA) bids.

Financial

- 24 The Group has £52.2 million (2012/13 £50.1m) of net assets including £9.6 million pension liability (2012/13 £10.2m) and borrowings of £12.0 million (2012/13 £12.5m).

People

- 25 The College employs 592 people (expressed as full time equivalents), of whom 377 are teaching staff.

Reputation

- 26 The College reputation remains strong both locally and nationally, the College was inspected by OfSTED Feb 2014 and was graded as requires improvement. The College expects to improve its rating during its next inspection, predicted to take place during Spring 2015.

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.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College:

- **Government Funding:** The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2013/14, 76.5% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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The College is aware of several issues which may impact on future funding, including change in governing party, change in governmental funding priorities for education, increased competition from both public and private training providers, failure to achieve a good or outstanding classification from Ofsted or change in economic conditions causing reduced learners in curriculum areas of key strength.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
 - Maximising private sector income
 - Ensuring the College is rigorous in delivering high quality education and training
 - Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
 - Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Tuition Fee Policy: Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Gateshead College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

 - By ensuring the College is rigorous in delivering
 - Close monitoring of the demand for courses as prices change
 - Maintain adequate funding of pension liabilities: The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 17

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 student sabbatical officer during 2013/14, 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;

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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.

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 2014 and signed on its behalf by



Robin Mackie
Chair

11 December 2014

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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

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Barclays Bank

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Newcastle upon Tyne

NE99 1JP

Solicitors:

Muckle LLP

Time Central

32 Gallowgate

Newcastle upon Tyne

NE1 4BF

Lloyds TSB

102 Grey Street

Newcastle upon Tyne

NE1 6AG

Eversheds

Central Square south

Orchard Street

Newcastle upon Tyne

NE1 3XX

Bond Dickinson

St Anne's Wharf

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 2014.

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>Resigned September 2014</i>	<i>Governor*</i>	<i>Chair-Finance & General Purposes Committee Academic Standards Committee Governance & Search Committee (from October 2011) 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>Darren Heathcote</i>	<i>Appointed January 2013</i>	<i>2 years</i>		<i>Staff</i>	<i>Academic Standards Committee 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>

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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>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>Reappointed July 2013</i>	<i>1 year</i>	<i>Resigned June 2014</i>	<i>Sabbatical President of the Students' Union</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>Resigned June 2014</i>	<i>Student 16-18</i>	
<i>Rachel Clark</i>	<i>Appointed July 2014</i>	<i>1 year</i>		<i>Sabbatical President of the Students' Union</i>	
<i>Dickinson Dees LLP, now known as Bond Dickinson LLP, has acted as Clerk to the Corporation since 1 October 2012 Mr N Weddle was co-opted onto the Audit Committee * indicates appointment / reappointment under 2007 Articles of Government (as subsequently amended).</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 capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets six times per year and more frequently if required.

The Corporation has conducted its business through a number of committees throughout the year. Each committee has terms of reference, which have been approved by the full Corporation (and were recently revised in July 2013). These committees are finance and general purposes (from September 2014 known as Corporate Services), remuneration, governance and search, audit and academic standards (from September 2014 known as Teaching and Learning). Full minutes of all meetings except those deemed to be confidential by the Corporation are available from the Governance section of the College's website within 3 months of the date of the meeting.

Please note that, from September 2014, a revised system of reporting and committee structure has been implemented across the Corporation. The Corporation will now operate with a quadrant reporting system – with the four key areas of the Corporation's business (People, Corporate Services, Teaching and Learning and Business) receiving particular scrutiny and focus. Each quadrant will have a lead

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governor and lead executive team member and who will be supported by a committee. Each quadrant will also have agreed objectives against which the Board as a whole can measure it against. The system is designed to reduce duplication, give clear focus and a broader awareness for all Governors of all aspects of the Corporation's business.

Audit and Remuneration Committees will continue to exist, and the role of Governance and Search Committee in the revised governance structure will be reviewed.

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. As stated above, the future role of this committee will be reviewed during the next year. 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 (from September 2014 known as Corporate Services), the Chair of Governance and Search, the Chair of Academic Standards Committee (from September 2014 known as Teaching and Learning) and up to two other Corporation members. Emily Cox is currently the Chair of that committee.

The Committee meets at least three times per year now; once to set objectives for the executive team, then to review performance and consider the making of annual awards. 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 review and consider the performance and the remuneration and benefits of the Principal and other members of the executive team.

Details of remuneration for the year ended 31 July 2014 are set out in note 7 to the financial statements.

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

AUDIT COMMITTEE

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

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 2014 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2014 and

GATESHEAD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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 Executive team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 11 December 2014 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2014 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2014.

GATESHEAD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

GOING CONCERN

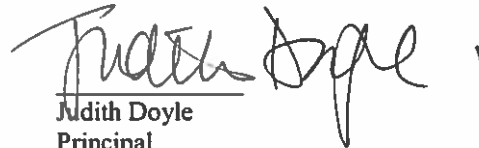
After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 11 December 2014 and signed on its behalf by:



Robin Mackie
Chair

11 December 2014



Judith Doyle
Principal

11 December 2014

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 11 December 2014 and signed on its behalf by:



Robin Mackie – Chair

11 December 2014

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF GATESHEAD COLLEGE

We have audited the Group and College financial statements ("the financial statements") set out on pages 21 to 49. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) as set out in our engagement letter dated 28 October 2014.

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 28 October 2014. 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 28 October 2014 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 28 October 2014, Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) 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/auditscopeukprivate>

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 2014 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 issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

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



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

19 December 2014

INDEPENDENT AUDITOR'S REPORT ON REGULARITY TO THE CORPORATION OF GATESHEAD COLLEGE ('THE CORPORATION') AND THE CHIEF EXECUTIVE OF THE SKILLS FUNDING AGENCY

This report is produced in accordance with the terms of our engagement letter dated 28 October 2014 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular in accordance with the authorities that govern them as defined by and in accordance with the Funding Agreement with the Chief Executive of Skills Funding.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Framework published by the Skills Funding Agency and the Education Funding Agency.

Our review has been undertaken so that we might state to the Corporation of Gateshead College and the Chief Executive of Skills Funding those matters we are required to state to them in a report and for no other purpose. This report is made solely to the Corporation of Gateshead College and the Chief Executive of Skills Funding in accordance with the terms of our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Gateshead College and the Secretary of Chief Executive of Skills Funding, for our review work, for this report, or for the opinion we have formed.

Responsibilities of the Corporation of Gateshead College

The Corporation of Gateshead College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

The Corporation of Gateshead College is also responsible, under the requirements of the Accounts Direction 2013/14 published by the Skills Funding Agency and the Education Funding Agency for the preparation of the Statement on Regularity, Propriety and Compliance.

Auditor's responsibilities

Our responsibility is to express a reasonable assurance opinion that the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Framework and our engagement letter dated 28 October 2014. The International Standards on Auditing (UK and Ireland) and Regularity Framework require that we plan and perform this engagement to obtain reasonable assurance in respect of the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the financial statements are in all material respects regular.

Basis of opinion

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

INDEPENDENT AUDITOR'S REPORT ON REGULARITY TO THE
CORPORATION OF GATESHEAD COLLEGE ('THE CORPORATION') AND
THE CHIEF EXECUTIVE OF THE SKILLS FUNDING AGENCY

Opinion

In our opinion, the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Baker Tilly UK Audit LLP

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

19 December 2014

GATESHEAD COLLEGE

CONSOLIDATED INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDING 31 JULY 2014

	Notes	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Income: Group and Share of Joint Venture			
Funding Body Grants	2	35,488	38,468
Tuition fees and education contracts	3	4,044	3,353
Other income	4	6,708	6,321
Investment income	5	124	195
Less: share of Joint Venture Income	20	-	(304)
Total Income		46,364	48,033
Expenditure			
Staff costs	6	22,550	21,899
Exceptional restructuring costs	6	850	257
Other operating expenses	8	20,230	22,691
Depreciation and amortisation	12/13	2,199	2,599
Interest and other finance costs	9	443	521
Total Expenditure		46,272	47,967
Surplus on continuing operations after depreciation of assets and before tax		92	66
Share of (Loss)/Profit in Joint Venture		(32)	32
Taxation	10	(3)	(4)
Surplus on continuing operations of group and joint venture after depreciation of assets and tax retained within general reserves	11	57	94

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 2014

	Notes	2014 £000	2013 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation		57	94
Actuarial gain / (loss) in respect of pensions scheme	27	1,000	1,460
Total recognised gains / (losses) since last report		1,057	1,554
Reconciliation			
Opening reserves		20,059	18,505
Total recognised (losses) / gains for the year		1,057	1,554
Closing reserves		21,116	20,059

GATESHEAD COLLEGE

BALANCE SHEETS AT 31 JULY 2014

	Notes	Group 2014 £000	College 2014 £000	Group 2013 £000	College 2013 £000
Fixed assets					
Tangible assets	12	70,798	70,902	68,938	69,019
Goodwill	13	17	-	25	-
Investments	13	206	426	207	333
Investment in Joint Venture:					
Share of gross assets		-	-	538	-
Share of gross liabilities		-	-	(82)	-
		71,021	71,328	69,626	69,352
Current assets					
Stock		12	11	14	13
Debtors	14	6,791	6,434	5,389	4,651
Cash at bank and in hand		7,248	2,877	9,617	5,759
		14,051	9,322	15,020	10,423
Creditors: amounts falling due within one year	15	10,049	6,675	10,190	6,668
Net current assets		4,002	2,647	4,830	3,755
Total assets less current liabilities		75,023	73,975	74,456	73,107
Creditors: amounts falling due after more than one year	16	(12,517)	(12,517)	(13,354)	(13,354)
Provisions for liabilities	18	(710)	(710)	(780)	(780)
Net assets excluding pension liability		61,796	60,748	60,322	58,973
Net pension liability	27	(9,590)	(9,590)	(10,230)	(10,230)
NET ASSETS including pension liability		52,206	51,158	50,092	48,743
Deferred capital grants	19	31,090	31,090	30,033	29,609
Reserves					
I&E Account excluding pension reserve	21	30,706	29,658	30,289	29,364
Pension reserve	27	(9,590)	(9,590)	(10,230)	(10,230)
I&E Account including pension reserve	21	21,116	20,068	20,059	19,134
Total reserves		21,116	20,068	20,059	19,134
TOTAL FUNDS		52,206	51,158	50,092	48,743

The financial statements on pages 21 to 49 were approved and authorised for issue by the governing body on 11 December 2014 and were signed on its behalf by:-


Robin Mackie
Chair

11 December 2014


Judith Doyle
Principal

11 December 2014

GATESHEAD COLLEGE
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2014

	Notes	2014 £000	2013 £000
Cash flow from operating activities	22	1,199	1,434
Returns on investments and servicing of finance	23	(379)	(266)
Taxation		(3)	(4)
Capital expenditure and financial investment	24	(2,741)	(987)
Financing	25	(445)	(434)
(Decrease) / Increase in cash in the period		<u>(2,369)</u>	<u>(257)</u>
Reconciliation of net cash flow to movement in net Funds / (Debt)			
(Decrease) / Increase in cash in the year		(2,369)	(257)
Cash outflow from decrease in debt financing	25	<u>445</u>	<u>434</u>
Movement in net funds in the year		(1,924)	177
Net (debt) / funds at start of year		(2,855)	(3,032)
Net (Debt) at end of year	26	<u>(4,779)</u>	<u>(2,855)</u>

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2014

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 2013-14 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, Zero Carbon Futures (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 2014. 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 2014

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 2014

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 to 20 years
Equipment	-	2 to 10 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 2014

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 2014

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 2014

2 Funding Body Grants

	Year ended 2014 £000	Year ended 2013 £000
Recurrent grant – EFA/SFA	23,924	26,057
Train to Gain – SFA	1,483	1,672
Apprenticeships – SFA	5,552	4,865
Released deferred capital grants – EFA/SFA	662	462
Other EFA/SFA grants	3,389	4,540
Recurrent grant – HEFCE	436	859
Other HEFCE grants	42	13
Total	35,488	38,468

3 Tuition Fees and Education Contracts

	Year ended 2014 £000	Year ended 2013 £000
UK Higher Education students	642	417
UK Further Education students	1,171	753
	1,813	1,171
Education contracts		
Other contracts	1,825	1,864
Higher Education contracts	406	318
Total	4,044	3,353

4 Other Income

	Year ended 2014 £000	Year ended 2013 £000
Catering and conferences	150	117
Other income generating activities	234	238
Other grant income	4,904	4,319
Releases from deferred capital grants (non Funding Body)	612	577
Other income	808	766
Share of Joint Venture Income	-	304
Total	6,708	6,321

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2014

5 Investment Income

	Year ended 2014 £000	Year ended 2013 £000
Other interest receivable	64	195
Pension Finance Income (FRS17)	60	195
	<u>124</u>	<u>195</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 2014 Number	Year ended 2013 Number
Teaching departments – teaching staff	377	357
Teaching support services	86	93
Administration and central services	117	133
Premises	8	9
Other	4	4
	<u>592</u>	<u>596</u>

Staff costs for the above persons:

	Year ended 2014 £000	Year ended 2013 £000
Wages and salaries	19,486	18,437
Social security costs	1,355	1,350
Other pension costs (including FRS17 adjustments of £420k (2013: £450k))	2,559	2,369
	<u>23,400</u>	<u>22,156</u>

Staff costs shown above include £850k (2012/13 £257k) 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 2014

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 2014		Year ended 31 July 2013	
	Number senior post-holders	Number Other Staff	Number senior post-holders	Number Other Staff
£ 90,001 to £ 100,000	-	2	-	2
£ 120,001 to £ 130,000	-	-	3	-
£ 130,001 to £ 140,000	2	-	-	-
£ 150,001 to £ 160,000	1	-	-	-
£ 170,001 to £ 180,000	-	-	1	-
	<u>3</u>	<u>2</u>	<u>4</u>	<u>2</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 2014	Number 2013
The number of senior post-holders including the principal was:	<u>3</u>	<u>4</u>
Senior post-holders' emoluments are made up as follows:		
	£	£
Salaries (including bonuses)	425,750	555,165
Pension contributions	54,458	75,146
Total emoluments	<u>480,208</u>	<u>630,311</u>

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

	Year ended 2014 £	Year ended 2013 £
Salary (including bonuses)	157,625	180,000
Pension contributions	<u>20,798</u>	<u>24,816</u>
	<u>178,423</u>	<u>204,816</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 2014

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

	2014 £'000	2013 £'000
Teaching	1,495	1,243
Non Teaching Costs	4,450	5,298
Premises Costs	6,026	5,088
Franchised provision and partner payments	8,259	11,062
Total	20,230	22,691
Other operating expenses include:		
Auditors' remuneration:		
financial statements and regularity audit*	41	39
internal audit**	42	25
other services from external auditors	13	16
other services from internal auditors	-	-
Gain / (loss) on disposal of Fixed Assets	48	(8)
Operating lease costs:		
Plant and Machinery	-	-
Other	70	63

* £27,456 in respect of the College (2012/13 £20,790)

** in respect of the College

GATESHEAD COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

9 Interest Payable

	Year ended 2014 £000	Year ended 2013 £000
Bank Interest	443	461
Pension finance costs (note 27)	-	60
Total	443	521

10 Taxation

	Year ended 2014 £000	Year ended 2013 £000
Taxation – Subsidiary	3	4
Total	3	4

11 Surplus On Continuing Operations For The Period

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

	Year ended 2014 £000	Year ended 2013 £000
College's loss for the period	(66)	399
Surplus generated by subsidiary undertakings	123	(305)
Total	57	94

GATESHEAD COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

12 Tangible Fixed Assets (Group)

	Freehold £000	Long Leasehold £000	Equipment £000	Total £000
Cost				
At 1 August 2013	66,134	6,947	9,373	82,454
Additions	3,002	10	1,060	4,072
Disposals	-	-	(544)	(544)
At 31 July 2014	69,136	6,957	9,889	85,982
Depreciation				
At 1 August 2013	6,322	1,312	5,882	13,516
Charge for year	1,399	223	568	2,190
Eliminated in respect of disposal	-	-	(522)	(522)
At 31 July 2014	7,721	1,535	5,928	15,184
Net book value				
At 31 July 2014	61,415	5,422	3,961	70,798
Net book value				
At 1 August 2013	59,812	5,635	3,491	68,938

Fixed Asset additions include a VAT refund from HMRC on the Skills Academy for Sustainable Manufacturing (SASMI) based on the Nissan site at Sunderland. This refund was obtained under the 'Wakefield College' ruling.

GATESHEAD COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

12 Tangible Fixed Assets (College Only)

	Freehold £000	Long Leasehold £000	Equipment £000	Total £000
Cost				
At 1 August 2013	66,266	6,946	9,103	82,315
Additions	3,002	10	1,040	4,052
Disposals	-	-	(315)	(315)
At 31 July 2014	69,268	6,956	9,828	86,052
Depreciation				
At 1 August 2013	6,322	1,311	5,663	13,296
Charge for year	1,399	223	546	2,168
Eliminated in respect of disposal	-	-	(314)	(314)
At 31 July 2014	7,721	1,534	5,895	15,150
Net book value				
At 31 July 2014	61,547	5,422	3,933	70,902
Net book value				
At 1 August 2013	59,944	5,635	3,440	69,019

Cumulative finance costs capitalised included in the cost of tangible assets amount to £1,084,683 (2013 - £1,084,683), with £nil (2013 - £0) being capitalised in the year for the group and college.

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2014

13 Investments

Group

	2014 £000	2013 £000
Investments in Charge your Car Ltd at cost (Sold 31 July 14)	-	425
Less: Contribution from ONE North East	-	(212)
Less: Contribution from OLEV	-	(212)
Investment in Gazelle Transform Limited at cost	206	206
	<u>206</u>	<u>207</u>

College

	2014 £000	2013 £000
Investments in Amacus Limited at cost	127	127
Investment in Gazelle Transform Ltd at cost	206	206
Investment in Gateshead Sport Malaysia	93	-
	<u>426</u>	<u>333</u>

Goodwill

Group

	2014 £000	2013 £000
Goodwill Brought forward at 1 August	25	54
Additions	-	101
Amortisation	(8)	(130)
Goodwill Carried forward at 31 July	<u>17</u>	<u>25</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 2014 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 2013/14 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 2014

purpose is to establish the College's reputation as one of the leading providers of Electric Vehicle and Sustainable Manufacturing training in the UK. In the year to 31st July 2014 Zero Carbon Futures (ZCF) was given a grant of £3.3m from Nissan Europe as part of its Incubator project, to create a network of Electric Vehicle quick chargers in the UK.

Charge your Car (North) Limited, now called Zero Carbon Futures (North) Limited, was incorporated on 17th November 2011. The companies' primary purpose was to house the 'Plugged in Places' project previously operated by the now closed Regional Development Agency ONE North East. Zero Carbon Futures (North) Limited 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. Zero Carbon Futures (North) Limited sold its stake in Charge your Car Limited during the Financial Year to 31st July 2014.

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 Gazelle Transform Limited (formerly 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.

On the 15th May 2014 Gateshead College setup accompany based in Malaysia called Gateshead Sport Management (Malaysia) SDN.BHD. This company was setup to manage a Sports Stadium contract in EduCity in Malaysia, as an initial step in Gateshead College's international strategy in Asia. The company continued to trade normally until the end of the Financial Year to 31 July 2014.

14 Debtors

	Group 2014 £000	College 2014 £000	Group 2013 £000	College 2013 £000
Amounts falling due within one year:				
Trade debtors	2,126	1,824	1,368	966
Amounts owed by Group Undertakings	-	422	-	195
Prepayments	1,500	1,500	1,325	1,249
Other debtors (including accrued income) *	3,165	2,688	2,696	2,241
Total	6,791	6,434	5,389	4,651

* includes £2,195k (2013: £1,681k) from the EFA/SFA.

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2014

15 Creditors: Amounts Falling Due Within One Year

	Group 2014 £000	College 2014 £000	Group 2013 £000	College 2013 £000
Bank Loans	455	455	445	445
Payments received in advance*	4,907	1,978	5,208	1,747
Trade creditors	2,667	2,176	2,660	2,504
Amounts owed to Group Undertakings	-	174	-	188
Other taxation and social security	987	919	886	830
Accruals	695	635	693	670
Other creditors	338	338	298	284
	10,049	6,675	10,190	6,668

* includes £805k (2013: £38k) owed to the EFA/SFA.

16 Creditors: Amounts Falling Due After More Than One Year

	Group 2014 £000	College 2014 £000	Group 2013 £000	College 2013 £000
Bank loans	11,571	11,571	12,027	12,027
Other creditors	946	946	1,327	1,327
	12,517	12,517	13,354	13,354

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 2014 £000	College 2014 £000	Group 2013 £000	College 2013 £000
Bank Loans				
Bank loans are repayable as follows:				
In one year or less or on demand	455	455	445	445
Between one and two years	465	465	456	456
Between two and five years	1,478	1,478	1,437	1,437
In five years or more	9,629	9,629	10,134	10,134
Total	12,027	12,027	12,472	12,472

The term loan is split into two elements £7,089,270.81 at 5.49% fixed for 25 years and £4,937,500 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 2014

18 Provisions for Liabilities

	Group and College	
	Enhanced Pension	Total
	£000	£000
At 1 August 2013	780	780
Expenditure in the period		
Transferred from income and expenditure account	(70)	(70)
At 31 July 2014	<u>710</u>	<u>710</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 2013	19,450	10,583	30,033
Additions	645	2,133	2,778
Released to income and expenditure	(662)	(1,059)	(1,721)
At 31 July 2014	<u>19,433</u>	<u>11,657</u>	<u>31,090</u>

Deferred Capital Grants – College

	YPLA/SFA £000	Other grants £000	Total £000
At 1 August 2013	19,450	10,159	29,609
Additions	645	2,133	2,778
Released to income and expenditure	(662)	(635)	(1,297)
At 31 July 2014	<u>19,433</u>	<u>11,657</u>	<u>31,090</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 held 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. Charge your Car (North) Limited sold its share of Charge your Car Limited in the year to 31 July 2014.

GATESHEAD COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

21 Movement On General Reserves

	Group Year ended 2014 £000	College Year ended 2014 £000	Group Year ended 2013 £000	College Year ended 2013 £000
Income and Expenditure Account Reserve	20,059	19,134	18,505	17,275
At 1 August 2013				
Surplus on continuing operations after tax	57	(66)	94	399
Transfer from revaluation reserve	-	-	-	-
Gain on Disposal of Assets	-	-	-	-
Actuarial Gain / (Loss)	1,000	1,000	1,460	1,460
At 31 July 2014	21,116	20,068	20,059	19,134

Balance represented by:

Pension reserve	(9,590)	(9,590)	(10,230)	(10,230)
Income and expenditure account reserve including pension reserve	30,706	29,658	30,289	29,364
At 31 July 2014	21,116	20,068	20,059	19,134

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

	Year ended 2014 £000	Year ended 2013 £000
Surplus on continuing operations after depreciation of assets at cost	92	66
Depreciation and amortisation (notes 12 & 13)	2,198	2,599
Loss / (Gain) on disposal of fixed assets	(49)	8
Deferred capital grants released to income (note 19)	(1,721)	(1,039)
Interest payable (note 9)	443	461
FRS17 Charge to Income and Expenditure	360	510
Decrease / (Increase) in Stocks	2	1
Decrease / (Increase) in Debtors	(977)	(1,410)
(Decrease) / Increase in Creditors	(385)	556
Increase / (Decrease) in Provisions	(70)	40
Interest receivable (note 5)	(64)	(195)
Deferred capital grants receivable not received	1,370	(163)
Net cash inflow from operating activities	1,199	1,434

GATESHEAD COLLEGE
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23 Returns On Investments And Servicing Of Finance

	Year ended 2014 £000	Year ended 2013 £000
Other interest received	64	195
Bank loan interest	(443)	(461)
Net cash (outflow) from returns on investment and servicing of finance	(379)	(266)

24 Capital Expenditure And Financial Investment

	Year ended 2014 £000	Year ended 2013 £000
Purchase of tangible fixed assets	(4,220)	(1,425)
Deferred capital grants received	1,408	609
Investment in Joint Venture	-	-
Investment in Gateshead Sport Management (Malaysia)	-	(171)
Sale of tangible fixed assets	71	-
Net cash inflow /(outflow) from capital expenditure and financial	(2,741)	(987)

25 Financing

	Year ended 2014 £000	Year ended 2013 £000
Repayment of bank loans	(445)	(434)
New bank loan	-	-
Net cash (outflow) from financing	(445)	(434)

26 Analysis Of Change In Net Funds

	At 1 August 2013 £000	Cashflows £000	Other non- cash movement £000	At 31 July 2014 £000
Cash in hand, and at bank	9,617	(2,369)	-	7,248
	<u>9,617</u>	<u>(2,369)</u>	<u>-</u>	<u>7,248</u>
Debt due within 1 year	(445)	445	(455)	(455)
Debt due after 1 year	(12,027)	-	455	(11,572)
Total	(2,855)	(1,924)	-	(4,779)

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2014

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 2014 £000	Year ended 2013 £000
Total pension cost for the year		
Stakeholder Pension: contribution paid	14	15
Teachers Pension Scheme: contribution paid	1,107	1,012
Local Government Pension Scheme		
Contribution Paid	1,017	892
FRS17 Adjustment	420	450
Charge to the Income & Expenditure Account (Staff Costs)	2,558	2,369
Enhanced Pension Charges to the Income & Expenditure Account (Staff Costs)	(70)	40
Total Pension cost for the Year	2,488	2,409

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 to 31 March 2011, 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 were being discussed in the context of the design for a reformed TPS, and as set out in the Proposed Final Agreement, and scheme valuations had been suspended since the last valuation in 2004.

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 2014

27 Pensions and Similar Obligations (continued)

Valuations of the TPS are now required under the Public Service Pensions Act 2013 every 4 years and are required to be carried out in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury.

An actuarial valuation of the TPS in accordance with these Directions was published in June 2014 assessing the TPS as at 31 March 2012. The GA's report revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191,500 million. The notional value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176,600 million. The assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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 2013 to 31 March 2014, the employee contribution rate will range between 6.4% and 11.2%, depending on a member's Full Time Equivalent salary and for 2014/15 will range between 6.4% and 12.4%. Thereafter members will be expected to pay an average contribution rate of 9.6%.

The TPS valuation for 2012 determined an employer contribution rate of 16.4% from September 2015 and an employee cost cap of 10.9%, both to be set in regulations until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

There will be further reforms and changes to the TPS with a new 2015 scheme.

The pension costs paid to TPS in the year amounted to £1,877,000 (2013: £1,637,000).

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 2014 was £1,482k of which the employers contributions totaled £996k and employees contributions totalled £486k. 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 2014

GATESHEAD COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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27 Pensions and Similar Obligations (continued)

Principal Financial Assumptions	At 31 July 2014	At 31 July 2013	At 31 July 2012
Rate of increase in salaries	3.7%	4.6%	4.6%
Rate of increase for pensions in payment/inflation	2.2%	2.7%	2.1%
Discount rate for liabilities	4.1%	4.5%	4.1%

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 2014	At 31 July 2013
<i>Retiring today</i>		
Males	23.0	21.7
Females	24.6	23.9
<i>Retiring in 20 years</i>		
Males	25.0	23.5
Females	26.9	25.8

The amounts recognised in the balance sheets are as follows:

	Value at 31 July 2014 £000	Value at 31 July 2013 £000
Fair value of scheme assets	23,630	21,380
Present value of liabilities	(33,220)	(31,610)
(Deficit) in the scheme	(9,590)	(10,230)

Movements in the present value of defined benefits obligation were as follows:

	2014 £000	2013 £000
Liabilities at 1 August	31,610	28,710
Service cost	1,680	1,510
Interest cost	1,460	1,210
Employee contributions	480	430
Actuarial Loss	(1,640)	80
Benefits paid	(410)	(380)
Past service cost	40	50
Curtailments and settlements	-	-
Liabilities at 31 July	33,220	31,610

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2014

27 Pensions and Similar Obligations (continued)

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

	2014	2013
	£000	£000
Assets at 1 August	21,380	17,530
Expected return on assets	1,520	1,150
Actuarial gain	(640)	1,540
Employer contributions	1,300	1,110
Employee contributions	480	430
Benefits paid	(410)	(380)
Assets at 31 July	23,630	21,380

Analysis of the amount charged to income and expenditure account

	Year ended 2014	Year ended 2013
	£000	£000
Current service cost (net of employer contributions)	380	400
Past service cost	40	50
Total operating charge	420	450

Analysis of pension finance (costs) / income

	Year ended 2014	Year ended 2013
	£'000	£000
Expected return on pension scheme assets	1,520	1,150
Interest on pension liabilities	(1,460)	(1,210)
Pension finance (costs) / income	60	(60)

The actual return on scheme assets for the year was £0.88m (2012/13: (£2.69m))

The College expects to contribute £1,480k to its defined benefit pension plan in the year to 31 July 2015.

Amount recognised in the statement of total recognised gains and losses

	Year ended 2014	Year ended 2013
	£000	£000
Actual return less expected return on pension scheme assets	(640)	1,540
Experience gains and losses arising on the scheme liabilities	-	(10)
Change in financial and demographic assumptions underlying the scheme liabilities	1,640	(70)
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	1,000	1,460
Cumulative Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(5,230)	(6,230)

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27 Pensions and Similar Obligations (continued)

Movement in (deficit) during year

	Year ended 2014 £000	Year ended 2013 £000
(Deficit) in scheme at 1 August	(10,230)	(11,180)
Movement in year:		
Employer service cost	(1,680)	(1,510)
Employer contributions	1,300	1,110
Past service cost	(40)	(50)
Net interest/return on assets	60	(60)
Actuarial gain or loss	1,000	1,460
(Deficit) in scheme at 31 July	(9,590)	(10,230)

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 2014	Proportion of assets at 31 July 2014	Fair Value at 31 July 2014 £000	Expected return at 31 July 2013	Proportion of assets at 31 July 2013	Fair Value at 31 July 2013 £000
Equities	7.5%	67.2%	15,874	7.8%	66.6%	14,239
Corporate Bonds	3.7%	11.5%	2,716	4.0%	11.6%	2,480
Property	6.8%	9.1%	2,149	7.3%	8.9%	1,903
Other	7.5%	8.6%	2,031	8.7%	9.3%	1,988
Government Bonds	3.2%	3.6%	850	3.3%	3.6%	770
Total market value of assets			23,620			21,380

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

	2014 £000	2013 £000	2012 £000
Experience adjustments on scheme assets:	1,000	1,460	(940)
Experience adjustments on scheme liabilities:	-	(10)	(150)
	2014 £000	2013 £000	2012 £000
Defined benefit obligation	(33,220)	(31,610)	(28,710)
Fair value of scheme assets	23,630	21,380	17,530
Deficit in the scheme	(9,590)	(10,230)	(11,180)

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28 Capital Commitments

	Group and College	
	2014	2013
	£000	£000
Commitments contracted for at 31 July	<u>108</u>	<u>2,729</u>

29 Financial Commitments

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

	Group and College	
	2014	2013
	£000	£000
Land and Buildings		
Expiring within one year	73	12
Expiring within two and five years inclusive	-	-
Expiring in over five years	-	54
	<u>73</u>	<u>66</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 £3,330,800 in the year ended 31 July 2014 (2013: £4,137,000), this was obtained via contracts with the Skills Funding Agency (formerly the LSC). The College was also in receipt of £30,499 from the European Regional Development Fund in the year ended 31 July 2014.

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.

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32 Discretionary Support Funds -

	2014 £'000	2013 £'000
Access Funds		
Skills Funding Agency Grants – Hardship support	947	780
	<u>947</u>	<u>780</u>
Disbursed to students	(892)	(741)
Administration costs	(47)	(39)
	<u>8</u>	<u>-</u>
Balance unspent as at 31 July, included in Creditors		
Other Discretionary Support Funds		
Skills Funding Agency Grants – 20+ Childcare Support	214	308
	<u>214</u>	<u>308</u>
Disbursed to students	(131)	(293)
Administration costs	(11)	(15)
	<u>72</u>	<u>-</u>
Balance unspent as at 31 July, included in Creditors		
HE Hardship Funds		
Grants	19	22
	<u>19</u>	<u>22</u>
Disbursed to students	(12)	(21)
Administration costs	(1)	(1)
	<u>6</u>	<u>-</u>
Balance unspent as at 31 July, included in creditors		

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.