
GATESHEAD COLLEGE

**Report and Financial Statements
For the Year Ended 31 July 2015**

GATESHEAD COLLEGE

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OPERATING AND FINANCIAL REVIEW OF THE CORPORATION FOR THE PERIOD FROM 1 AUGUST 2014 TO 31 JULY 2015

The members present their report and the audited financial statements for the year ended 31 July 2015.

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.

Public Benefit

- 4 Gateshead College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 11.

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

Implementation of Strategic Plan

- 5 The College annually prepares a rolling three year strategic plan, including an accommodation strategy and financial forecasts. The corporation monitors the performance of the College against these plans. The College's overarching strategic principles in 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.

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- 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.
- Achieve and maintain an Ofsted grade of Good or better. Gateshead College was inspected by Ofsted in June 2015, and achieved a Grade 1 Outstanding rating overall. The College was one of only 2 FE Colleges to achieve this status in the 2014/15 Academic Year. Underpinning the overall effectiveness assessment of outstanding, the college received the following grades:
 - Outcomes for Learners was graded outstanding
 - Quality of Teaching, Learning and Assessment was graded outstanding
 - Effectiveness of Leadership & Management was graded outstanding
 - All Curriculum areas inspected, were graded either good or outstanding.

Financial Objectives:

- To achieve income target of £36.4m for 2015/16, and a surplus of £65k.
- To maintain financial health as good to the period 31 July 2016
- 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 2014/15

- To generate turnover of £43.2m – Achieved at £44.4m
- To generate a surplus of £51,000 – Surplus above target at £339,000.
- To generate a current ratio greater than 1 at 31 July 2015 – 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

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

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- 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 consolidated operating surplus in the year was £339,000 (2013/14 £92,000). During the year, £346,000 of staff restructuring costs were incurred (2013/14 £850,000), interest charges (net of the pension finance costs) of £431,000 (2013/14 £443,000), and restructuring costs of £460,000 from discontinuation of business operations (2013/14 Nil).
- 7 The College has accumulated consolidated reserves of £30,765,000 excluding pension reserve (2013/14 - £30,706,000 excluding pension reserve) and consolidated cash balances of £6,669,000 (2013/14 - £7,248,000). The College wishes to continue to accumulate reserves and cash balances to fund further capital developments, and to reduce long-term loans.
- 8 The College's portfolio of subsidiary companies continued to stabilise during 2014/15, 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 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 2015.

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 2015.

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 2015 due to surplus being below the minimum threshold in 2013/14. 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. These contracts will run until early 2016.

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 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

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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. Gateshead College has revalued these investments at nil, giving rise to a charge to the Income & Expenditure account of £206,000 in the year.

On the 15th May 2014 Gateshead College setup a company based in Malaysia called Gateshead Sport Management (Malaysia) SDN.BHD. This company was setup to manage a Sports Stadium contract in EduCity in Malaysia, as an initial step in Gateshead College's international strategy in Asia. This contract was terminated in December 2014 and the company no longer trades.

The federation between Gateshead College and Middlesbrough College was dissolved during the year.

- 9 Tangible fixed asset additions to the group during the year totalled £782,000 which represented the ongoing update of facilities and equipment at all College campuses.
- 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 2014/2015 the EFA/SFA provided 75% 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 £2,130,000 (2013/14 £1,199,000), operating cash flow is strong.

Liquidity

- 13 During the year, the College secured no additional short term borrowing but has repaid £465,000. The College has borrowings of £11,571,000 at 31 July 2015.

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 2014/2015 the margin was comfortably exceeded.

Accommodation Developments

- 14 During the year to 31 July 2015 there were no material Accommodation Developments.

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Student Numbers

- 15 The College is funded according to the level of activity it generates each year. In 2014/15 the College exceeded its overall learner number targets for 16-18, Adult and HE, but fell short on its 19+ Apprenticeship target. The fall in headcount in 2014/15, particularly in the 16-18 FE and 19+ Apprenticeships area, is due to both a reducing 16-18 demographic in the local region, and increased competition for learners due to the continued reduction in funding allocations.

Further Education	2013-2014	2014-2015	%+/-
	Headcount	Headcount	
16-18	2,938	2,488	-15.3%
19	8,025	8,564	+6.7%
Total FE	10,963	11,052	+0.8%
WBL	Headcount	Headcount	
16-18	562	598	+6.4 %
19+	4,113	3,480	-15.4%
Total WBL	4,675	4,078	-12.8%
Higher Education	Headcount	Headcount	
HE	433	496	+14.5%

- 16 In the FE sector growth continued to be influenced by the continued economic recession during the year to 31 July 2015.

Student Success Rates

- 17 Student success rates in 2014/15, particularly on long level programmes, remain very strong and above national benchmarks. Student success rates exceeded national targets due to improvements in the College's key priority, student success on long level programmes

FE	2013-14 Actual %	2014-15 Actual %
Long course	87%	85%
Short course	91%	94%
All	91%	90%

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 continued in the year to 31st July 2015, however there were no significant developments to any particular College Campus or Building.

Financial

- 24 The Group has £48.9 million (2013/14 £52.2m) of net assets including £11.7 million pension liability (2013/14 £9.6m) and borrowings of £11.6 million (2012/13 £12.0m).

People

- 25 The College employs 560 people (expressed as full time equivalents), of whom 338 are teaching staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES:

- 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 2014/15, 75% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.
The College is aware of several issues which may impact on future funding, including change in governing party, change in governmental funding priorities for education, increased competition from both public and private training providers, failure to achieve a

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

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
 - Maximising private sector income
 - Ensuring the College is rigorous in delivering high quality education and training
 - Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
 - Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Tuition Fee Policy: Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Gateshead College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.
This risk is mitigated in a number of ways:
 - By ensuring the College is rigorous in delivering
 - 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 2014/15, to further strengthen communication with the student body and enhance the 'learner voice'.

Taxation

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

Stakeholder Relationships

- 32 In line with other colleges and with universities, Gateshead College has many stakeholders. These include:
- a. Students;
 - b. Education Sector Funding Bodies;
 - c. Staff;
 - d. Local employers;
 - e. Government Offices & Local Enterprise Partnerships;
 - f. The local community;
 - g. Other FE institutions;
 - h. Trade Unions;
 - i. Professional bodies.

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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 10 December 2015 and signed on its behalf by



Robin Mackie
Chair

10 December 2015

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Professional Advisers

Financial Statements and Regularity Auditor:

Baker Tilly UK Audit LLP
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Newcastle upon Tyne
NE1 4AD

Internal Auditors:

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NE1 8HW

Bankers:

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Newcastle upon Tyne
NE99 1JP

Solicitors:

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Newcastle upon Tyne
NE1 4BF

Lloyds TSB
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Newcastle upon Tyne
NE1 6AG

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

Bond Dickinson
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112 Quayside
Newcastle upon Tyne
NE99 1SB

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

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

In the opinion of the governors, the College complies with all the provisions of the Corporate Governance Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2015.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

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>Chair – Business Committee Corporate Services Committee Remuneration Committee</i>
<i>John McElroy</i>	<i>Reappointed October 2013</i>	<i>2 years</i>		<i>Governor*</i>	<i>Corporate Services Committee</i>
<i>David Mitchell</i>	<i>Reappointed October 2013</i>	<i>4 years</i>		<i>Governor*</i>	<i>Chair – Teaching & Learning Committee Business Committee Remuneration Committee</i>
<i>Ian Renwick</i>	<i>Reappointed December 2012</i>	<i>4 years</i>		<i>Governor*</i>	<i>Chair – Corporate Services Committee Remuneration Committee</i>
<i>Catherine Dennis</i>	<i>Reappointed 2015</i>	<i>2 years</i>	<i>Resigned July 2015</i>	<i>Staff</i>	<i>Teaching & Learning Committee</i>
<i>Darren Heathcote</i>	<i>Reappointed March 2015</i>	<i>2 years</i>		<i>Staff</i>	<i>Audit Committee</i>
<i>Chris Macklin</i>	<i>Reappointed December 2012</i>	<i>4 years</i>		<i>Governor*</i>	<i>Chair – Audit Committee People 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>Reappointed March 2015</i>	<i>4 years</i>		<i>Governor*</i>	<i>Chair – Governance Sub Group Business Committee Corporate Services Committee Remuneration Committee</i>
<i>Emily Cox</i>	<i>Appointed July 2012</i>	<i>4 years</i>		<i>Governor*</i>	<i>Chair – Remuneration Committee Chair - People Committee</i>
<i>Sally Hancox</i>	<i>Appointed July 2012</i>	<i>4 years</i>		<i>Governor*</i>	<i>People 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>
Nick Hurn	Appointed March 2014	4 years		Governor*	Interim Chair People Committee during Emily Cox's maternity leave Teaching & Learning Committee
Christine Jones	Appointed April 2015	4 years		Governor*	Teaching & Learning Committee
Josh Everest	Appointed August 2015	1 year		Sabbatical President of the Students' Union	
Mark Taylor	Reappointed March 2015	1 year		Student 19+	Teaching & Learning Committee
Harry Gills	Appointed March 2015	1 year	Resigned August 2015		
Judith Doyle Principal	August 2013	N/A		Principal	Business Committee Corporate Services Committee People Committee Teaching & Learning Committee Governance Sub Group
Rachel Clark	Appointed July 2014	1 year	Resigned June 2015	Sabbatical President of the Students' Union	
Bond Dickinson LLP, formerly known as Dickinson Dees 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).					

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

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

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

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

Audit and Remuneration Committees continue to exist, and the role of Governance and Search Committee in the revised governance structure was reviewed. This review led to the Committee being replaced by the Governance Sub Group.

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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 Sub Group which is responsible for the composition of the Corporation and appointments to it, development and training of governors, conduct of governors, succession to governor positions and good governance. The terms of reference for the Governance Sub Group were approved and adopted in December 2014. The Corporation is responsible for ensuring that appropriate training is provided as required and has delegated this responsibility to the Governance Sub Group.

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

REMUNERATION COMMITTEE

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

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

Details of remuneration for the year ended 31 July 2015 are set out in note 7 to the financial statements.

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 in July 2014. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

systems of internal control and its arrangements for risk management control and governance processes.

The Audit Committee meets on a termly basis (at least) and provides a forum for reporting by the College's internal and financial statement and regularity auditors, who have access to the committee for independent discussion, without the presence of College management. The committee also receives and considers reports from the SFA as they affect the College's business.

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

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

The Audit Committee also advises the Corporation on the appointment of internal and financial statement and regularity auditors and their remuneration for both audit and non-audit work, as well as reporting annually to the Corporation.

INTERNAL CONTROL

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum 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 2015 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 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

GATESHEAD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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.

The Principal's review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements and regularity auditors in their management letters and other reports.

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

The Executive team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and 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 10 December 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2015.

GATESHEAD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

GOING CONCERN

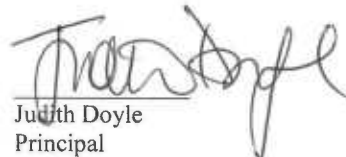
After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 10 December 2015 and signed on its behalf by:



Robin Mackie
Chair

10 December 2015



Judith Doyle
Principal

10 December 2015

GATESHEAD COLLEGE

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

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

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

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

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Skills Funding Agency (SFA).



Robin Mackie
Chair

10 December 2015



Judith Doyle
Accounting Officer

10 December 2015

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 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 10 December 2015 and signed on its behalf by:

Robin Mackie – Chair

10 December 2015



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 22 to 50. 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 25 November 2015.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Education Funding Agency and our engagement letter dated 25 November 2015. 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 25 November 2015 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 18, 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 25 November 2015, 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 2015 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.

RSM UK Audit LLP

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

15 Dec 2015

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF GATESHEAD COLLEGE AND THE SECRETARY OF STATE FOR BUSINESS, INNOVATION AND SKILLS ACTING THROUGH THE SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 25 November 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Gateshead College during the period 1 August 2014 to 31 July 2015 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

Respective responsibilities of Gateshead College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities accounts have been prepared to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework and our engagement letter

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

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

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY
TO THE CORPORATION OF GATESHEAD COLLEGE AND THE SECRETARY
OF STATE FOR BUSINESS, INNOVATION AND SKILLS ACTING THROUGH
THE SKILLS FUNDING AGENCY

framework of authorities including high level financial control areas where we identified areas where a material irregularity is likely to arise. We undertook detailed testing, based on our identification of the areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

RSM UK Audit LLP

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

15 December 2015

GATESHEAD COLLEGE

CONSOLIDATED INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDING 31 JULY 2015

	Notes	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Income: Group and Share of Joint Venture			
Funding Body Grants	2	33,305	35,488
Tuition fees and education contracts	3	3,665	4,044
Other income	4	7,194	6,708
Investment income	5	260	124
Less: share of Joint Venture Income	20	-	-
Total Income		44,424	46,364
Expenditure			
Staff costs	6	21,584	22,550
Exceptional restructuring costs	6	346	850
Other operating expenses	8	19,224	20,230
Depreciation and amortisation	12/13	2,500	2,199
Interest and other finance costs	9	431	443
Total Expenditure		44,085	46,272
Surplus on continuing operations after depreciation of assets and before tax		339	92
Share of Profit / (Loss) in Joint Venture		-	(32)
Taxation	10	-	(3)
Surplus on continuing operations of group and joint venture after depreciation of assets and tax retained within general reserves	11	339	57

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 2015

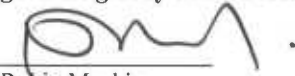
	Notes	2015 £000	2014 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation		339	57
Actuarial (loss)/ gain in respect of pensions scheme	27	(2,350)	1,000
Total recognised (losses) / gains since last report		(2,011)	1,057
Reconciliation			
Opening reserves		21,116	20,059
Total recognised (losses) / gains for the year		(2,011)	1,057
Closing reserves		19,105	21,116

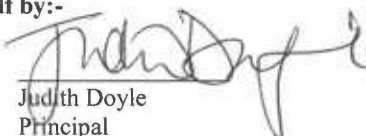
GATESHEAD COLLEGE

BALANCE SHEETS AT 31 JULY 2015

	Notes	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000 (Restated)
Fixed assets					
Tangible assets	12	68,989	68,656	70,798	70,902
Goodwill	13	9	-	17	-
Investments	13	-	150	206	426
Investment in Joint Venture:					
Share of gross assets		-	-	-	-
Share of gross liabilities		-	-	-	-
		68,998	68,806	71,021	71,328
Current assets					
Stock		24	24	12	11
Debtors	14	5,852	5,931	6,791	6,224
Cash at bank and in hand		6,669	4,145	7,248	2,877
		12,545	10,100	14,051	9,112
Creditors: amounts falling due within one year	15	8,606	7,517	10,049	6,675
Net current assets		3,939	2,583	4,002	2,437
Total assets less current liabilities		72,937	71,389	75,023	73,765
Creditors: amounts falling due after more than one year	16	(11,671)	(11,671)	(12,517)	(12,517)
Provisions for liabilities	18	(730)	(730)	(710)	(710)
Net assets excluding pension liability		60,536	58,988	61,796	60,538
Net pension liability	27	(11,660)	(11,660)	(9,590)	(9,590)
NET ASSETS including pension liability		48,876	47,328	52,206	50,948
Deferred capital grants	19	29,771	29,771	31,090	31,090
Reserves					
I&E Account excluding pension reserve	21	30,765	29,217	30,706	29,448
Pension reserve	27	(11,660)	(11,660)	(9,590)	(9,590)
I&E Account including pension reserve	21	19,105	17,557	21,116	19,858
Total reserves		19,105	17,557	21,116	19,858
TOTAL FUNDS		48,876	47,328	52,206	50,948

The financial statements on pages 22 to 50 were approved and authorised for issue by the governing body on 10 December 2015 and were signed on its behalf by:-


 Robin Mackie
 Chair
 10 December 2015


 Judith Doyle
 Principal
 10 December 2015

GATESHEAD COLLEGE
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2015

	Notes	2015 £000	2014 £000
Cash flow from operating activities	22	2,130	1,199
Returns on investments and servicing of finance	23	(391)	(379)
Taxation		-	(3)
Capital expenditure and financial investment	24	(1,864)	(2,741)
Financing	25	(455)	(445)
(Decrease) in cash in the period		<u>(580)</u>	<u>(2,369)</u>
Reconciliation of net cash flow to movement in Net (Debt)			
(Decrease) in cash in the year		(580)	(2,369)
Cash outflow from decrease in debt financing	25	<u>455</u>	<u>445</u>
Movement in net (debt) in the year		(125)	(1,924)
Net (debt) at start of year		(4,779)	(2,855)
Net (Debt) at end of year	26	<u>(4,904)</u>	<u>(4,779)</u>

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

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 2014-15 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 15.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Gateshead College Foundation, Amacus Limited, North East Apprenticeship Company Limited, Zero Carbon Futures (UK) Limited, Zero Carbon Futures (North) Limited and Gateshead Sport Management (Malaysia) SDN.BHD. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Provision is made for any impairment. All financial statements are made up to 31 July 2015. 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. There are currently no joint venture undertakings.

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 2015

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 2015

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 2015

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 2015

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 2015

2 Funding Body Grants

	Year ended 2015 £000	Year ended 2014 £000
Recurrent grant – EFA/SFA	22,598	23,924
Workplace – SFA	1,315	1,483
Apprenticeships – SFA	5,472	5,552
Released deferred capital grants – EFA/SFA	679	662
Other EFA/SFA grants	2,890	3,389
Recurrent grant – HEFCE	348	436
Other HEFCE grants	3	42
Total	33,305	35,488

3 Tuition Fees and Education Contracts

	Year ended 2015 £000	Year ended 2014 £000
UK Further Education students	564	642
UK Higher Education students	1,449	1,171
	<u>2,013</u>	<u>1,813</u>
Education contracts		
Other contracts	1,286	1,825
Higher Education contracts	366	406
Total	3,665	4,044

4 Other Income

	Year ended 2015 £000	Year ended 2014 £000
Catering and conferences	192	150
Other income generating activities	703	234
Other grant income	4,956	4,904
Releases from deferred capital grants (non Funding Body)	680	612
Other income	663	808
Total	7,194	6,708

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

5 Investment Income

	Year ended 2015 £000	Year ended 2014 £000
Other interest receivable	40	64
Pension Finance Income (FRS17)	220	60
	<u>260</u>	<u>124</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 2015 Number	Year ended 2014 Number
Teaching departments – teaching staff	338	377
Teaching support services	97	86
Administration and central services	115	117
Premises	7	8
Other	4	4
	<u>561</u>	<u>592</u>

Staff costs for the above persons:

	Year ended 2015 £000	Year ended 2014 £000
Wages and salaries	18,541	19,486
Social security costs	1,331	1,355
Other pension costs (including FRS17 adjustments of (£60k) {2014: £420k})	2,058	2,559
	<u>21,930</u>	<u>23,400</u>

Staff costs shown above include £346k (2013/14 £850k) 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 2015

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 2015		Year ended 31 July 2014 (Restated)	
	Number senior post-holders	Number Other Staff	Number senior post-holders	Number Other Staff
£ 70,001 to £ 80,000	-	2	-	-
£ 80,001 to £ 90,000	-	-	1	-
£ 90,001 to £ 100,000	1	-	1	-
£ 100,001 to £ 110,000	2	-	-	-
£ 130,001 to £ 140,000	1	-	2	-
£ 150,001 to £ 160,000	-	-	1	-
£ 160,001 to £ 170,000	1	-	-	-
	<u>5</u>	<u>2</u>	<u>5</u>	<u>-</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 2015	Number 2014
The number of senior post-holders including the principal was:	<u>5</u>	<u>5</u>
Senior post-holders' emoluments are made up as follows:		
	£	£
Salaries (including bonuses)	607,499	606,044
Pension contributions	77,654	79,114
Total emoluments	<u>685,153</u>	<u>685,158</u>

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

	Year ended 2015 £	Year ended 2014 £
Salary (including bonuses)	169,739	157,625
Pension contributions	22,165	20,798
	<u>191,904</u>	<u>178,423</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 2015

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

	2015 £'000	2014 £'000
Teaching	1,650	1,495
Non Teaching Costs	3,933	4,450
Premises Costs	6,164	6,026
Franchised provision and partner payments	7,477	8,259
Total	19,224	20,230
Other operating expenses include:		
Auditors' remuneration:		
financial statements and regularity audit*	43	41
internal audit**	30	42
other services from external auditors	18	13
other services from internal auditors	-	-
Gain on disposal of Fixed Assets	70	48
Operating lease costs:		
Plant and Machinery	-	-
Other	73	70

* £33,528 in respect of the College (2013/14 £27,456)

** in respect of the College

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

9 Interest Payable

	Year ended 2015 £000	Year ended 2014 £000
Bank Interest	431	443
Pension finance costs (note 27)	-	-
Total	<u>431</u>	<u>443</u>

10 Taxation

	Year ended 2015 £000	Year ended 2014 £000
Taxation – Subsidiary	-	3
Total	<u>-</u>	<u>3</u>

11 Surplus On Continuing Operations For The Period

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

	Year ended 2015 £000	Year ended 2014 £000
College's loss for the period	(161)	(66)
Surplus generated by subsidiary undertakings	500	123
Total	<u>339</u>	<u>57</u>

The College is structured as a group, utilising subsidiary companies for key commercial activities, with their purpose being to contribute additional resources to the College to support the delivery of high quality teaching and learning.

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

12 Tangible Fixed Assets (Group)

	Freehold £000	Long Leasehold £000	Equipment £000	Total £000
Cost				
At 1 August 2014	69,136	6,957	9,889	85,982
Additions	69	3	710	782
Disposals	-	(233)	(651)	(884)
At 31 July 2015	69,205	6,727	9,948	85,880
Depreciation				
At 1 August 2014	7,721	1,535	5,928	15,184
Charge for year	1,492	342	660	2,494
Eliminated in respect of disposal	-	(233)	(554)	(787)
At 31 July 2015	9,213	1,643	6,034	16,891
Net book value				
At 31 July 2015	59,992	5,083	3,914	68,989
Net book value				
At 1 August 2014	61,415	5,422	3,961	70,798

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

12 Tangible Fixed Assets (College Only)

	Freehold £000	Long Leasehold £000	Equipment £000	Total £000
Cost				
At 1 August 2014	69,268	6,956	9,828	86,052
Additions	69	3	209	281
Disposals	-	(233)	(651)	(884)
At 31 July 2015	69,337	6,726	9,386	85,449
Depreciation				
At 1 August 2014	7,721	1,534	5,895	15,150
Charge for year	1,491	342	597	2,430
Eliminated in respect of disposal	-	(233)	(554)	(787)
At 31 July 2015	9,212	1,643	5,938	16,793
Net book value				
At 31 July 2015	60,125	5,083	3,448	68,656
Net book value				
At 1 August 2014	61,547	5,422	3,933	70,902

Cumulative finance costs capitalised included in the cost of tangible assets amount to £1,084,683 (2014 - £1,084,683), with £nil (2014 - £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

	2015 £000	2014 £000
Investment in Gazelle Transform Limited at cost	-	206
	<u>-</u>	<u>206</u>

College

	2015 £000	2014 £000
Investments in Amacus Limited at cost	127	127
Investment in Gazelle Transform Ltd at cost	-	206
Investment in Gateshead Sport Malaysia	23	93
	<u>150</u>	<u>426</u>

Goodwill

Group

	2015 £000	2014 £000
Goodwill Brought forward at 1 August	17	25
Additions	-	-
Amortisation	(8)	(8)
Goodwill Carried forward at 31 July	<u>9</u>	<u>17</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 2015 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 2015, 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 2014/15 this was not achieved preventing an annual donation.

Zero Carbon Futures (UK) Limited was incorporated on the 29th June 2011, this companies primary purpose is to establish the College's reputation as one of the leading providers of Electric Vehicle and Sustainable Manufacturing training in the UK. In the year to 31st July 2014 Zero Carbon Futures (ZCF) was given a grant of £3.3m from Nissan Europe as part of its Business Incubator project, to

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

create a network of Electric Vehicle quick chargers in the UK. The company agreed a further contract worth a further £4.9m in the year to 31 July 2014, both contracts will run until early 2016.

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 Charge your Car Limited.

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. An impairment review in the year to 31 July 2015 resulted in both investments being revalued to nil.

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

14 Debtors

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000 (Restated)
Amounts falling due within one year:				
Trade debtors	2,469	2,420	2,126	1,824
Amounts owed by Group Undertakings	4	374	-	212
Prepayments	1,593	1,604	1,500	1,500
Other debtors (including accrued income) *	1,786	1,533	3,165	2,688
Total	5,852	5,931	6,791	6,224

* includes £920k (2014: £2,195k) from the EFA/SFA.

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

15 Creditors: Amounts Falling Due Within One Year

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Bank Loans	465	465	455	455
Payments received in advance*	3,731	2,520	4,907	1,978
Trade creditors	2,430	2,297	2,667	2,176
Amounts owed to Group Undertakings	3	303	-	174
Other taxation and social security	965	955	987	919
Accruals	717	689	695	635
Other creditors	295	288	338	338
	8,606	7,517	10,049	6,675

* includes £687k (2014: £805k) owed to the EFA/SFA.

16 Creditors: Amounts Falling Due After More Than One Year

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Bank loans	11,106	11,106	11,571	11,571
Other creditors	565	565	946	946
	11,671	11,671	12,517	12,517

Other long term creditors represent VAT recovered on the Baltic Campus and Skills Academy for Construction repayable between 1 year and 5 years' time. This will be fully repaid by 31 July 2018.

17 Borrowings

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Bank Loans				
Bank loans are repayable as follows:				
In one year or less or on demand	465	465	455	455
Between one and two years	480	480	465	465
Between two and five years	1,516	1,516	1,478	1,478
In five years or more	9,110	9,110	9,629	9,629
Total	11,571	11,571	12,027	12,027

The term loan is split into two elements £6,883,780.06 at 5.49% fixed for 25 years and £4,687,500 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 2015

18 Provisions for Liabilities

	Group and College	
	Enhanced Pension £000	Total £000
At 1 August 2014	710	710
Expenditure in the period		
Transferred from income and expenditure account	20	20
At 31 July 2015	<u>730</u>	<u>730</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

	Funding Body £000	Other grants £000	Total £000
At 1 August 2014	19,433	11,657	31,090
Additions	-	39	39
Released to income and expenditure	(679)	(679)	(1,358)
At 31 July 2015	<u>18,754</u>	<u>11,017</u>	<u>29,771</u>

Deferred Capital Grants – College

	Funding Body £000	Other grants £000	Total £000
At 1 August 2014	19,433	11,657	31,090
Additions	-	39	39
Released to income and expenditure	(679)	(679)	(1,358)
At 31 July 2015	<u>18,754</u>	<u>11,017</u>	<u>29,771</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 2015

21 Movement On General Reserves

	Group Year ended 2015 £000	College Year ended 2015 £000	Group Year ended 2014 £000	College Year ended 2014 £000 (Restated)
Income and Expenditure Account Reserve	21,116	19,858	20,059	19,134
At 1 August 2014 as previously stated				
Prior Period Adjustment		210		(210)
Income and Expenditure Account Reserve	21,116	20,068	20,059	18,924
At 1 August 2014				
Surplus on continuing operations after tax	339	(161)	57	(66)
Transfer from revaluation reserve	-	-	-	-
Gain on Disposal of Assets	-	-	-	-
Actuarial Gain / (Loss)	(2,350)	(2,350)	1,000	1,000
At 31 July 2015	19,105	17,557	21,116	19,858
Balance represented by:				
Pension reserve	(11,660)	(11,660)	(9,590)	(9,590)
Income and expenditure account reserve including pension reserve	30,765	29,217	30,706	29,448
At 31 July 2015	19,105	17,557	21,116	19,858

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

	Year ended 2015 £000	Year ended 2014 £000
Surplus on continuing operations after depreciation of assets at cost	336	92
Depreciation and amortisation (notes 12 & 13)	2,502	2,198
Loss / (Gain) on disposal of fixed assets	70	(49)
Loss / (Gain) on disposal of Investment	206	
Deferred capital grants released to income (note 19)	(1,358)	(1,721)
Interest payable (note 9)	431	443
FRS17 Charge to Income and Expenditure	(280)	360
Decrease / (Increase) in Stocks	(12)	2
Decrease / (Increase) in Debtors	936	(977)
(Decrease) / Increase in Creditors	(681)	(385)
Increase / (Decrease) in Provisions	20	(70)
Interest receivable (note 5)	(40)	(64)
Deferred capital grants receivable not received	-	1,370
Net cash inflow from operating activities	2,130	1,199

GATESHEAD COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2015

23 Returns On Investments And Servicing Of Finance

	Year ended 2015 £000	Year ended 2014 £000
Other interest received	40	64
Bank loan interest	(431)	(443)
Net cash (outflow) from returns on investment and servicing of finance	(391)	(379)

24 Capital Expenditure And Financial Investment

	Year ended 2015 £000	Year ended 2014 £000
Purchase of tangible fixed assets	(782)	(4,220)
Deferred capital grants received	(1,109)	1,408
Sale of tangible fixed assets	27	71
Net cash inflow /(outflow) from capital expenditure and financial	(1,864)	(2,741)

25 Financing

	Year ended 2015 £000	Year ended 2014 £000
Repayment of bank loans	(455)	(445)
New bank loan	-	-
Net cash (outflow) from financing	(455)	(445)

26 Analysis Of Change In Net Funds

	At 1 August 2014 £000	Cashflows £000	Other non- cash movement £000	At 31 July 2015 £000
Cash in hand, and at bank	7,248	(580)	-	6,668
	7,248	(580)	-	6,668
Debt due within 1 year	(455)	455	(464)	(464)
Debt due after 1 year	(11,572)	-	464	(11,108)
Total	(4,779)	(125)	-	(4,904)

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

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 2015 £000	Year ended 2014 £000
Total pension cost for the year		
Stakeholder Pension: contribution paid	20	14
Teachers Pension Scheme: contribution paid	1,061	1,107
Local Government Pension Scheme		
Contribution Paid	1,037	1,017
FRS17 Adjustment	(60)	420
Charge to the Income & Expenditure Account (Staff Costs)	2,058	2,558
Enhanced Pension Charges to the Income & Expenditure Account (Staff Costs)	20	(70)
Total Pension cost for the Year	2,078	2,488

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and the LGPS 31 March 2013.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation

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

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

Valuation of the Teachers' Pensions Scheme

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

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

27 Pensions and Similar Obligations (continued)

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

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

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

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.

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,776,000 (2014: £1,877,000).

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 2015 was £1,518k of which the employers contributions totaled £1,037k and employees contributions totalled £481k. 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 2015.

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

27 Pensions and Similar Obligations (continued)

Principal Financial Assumptions	At 31 July 2015	At 31 July 2014	At 31 July 2013
Rate of increase in salaries	3.6%	3.7%	4.6%
Rate of increase for pensions in payment/inflation	2.1%	2.2%	2.7%
Discount rate for liabilities	3.6%	4.1%	4.5%

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 2015	At 31 July 2014
<i>Retiring today</i>		
Males	23.1	23.0
Females	25.1	24.6
<i>Retiring in 20 years</i>		
Males	24.7	25.0
Females	27.0	26.9

The amounts recognised in the balance sheets are as follows:

	Value at 31 July 2015 £000	Value at 31 July 2014 £000
Fair value of scheme assets	26,900	23,630
Present value of liabilities	(38,560)	(33,220)
(Deficit) in the scheme	(11,660)	(9,590)

	2015 £000	2014 £000
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Movements in the present value of defined benefits obligation were as follows:

Liabilities at 1 August	33,220	31,610
Service cost	1,360	1,680
Interest cost	1,370	1,460
Employee contributions	480	480
Actuarial Gain	3,090	(1,640)
Benefits paid	(1,040)	(410)
Past service cost	80	40
Curtailements and settlements	-	-
Liabilities at 31 July	38,560	33,220

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

27 Pensions and Similar Obligations (continued)

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

	2015	2014
	£000	£000
Assets at 1 August	23,630	21,380
Expected return on assets	1,590	1,520
Actuarial gain	740	(640)
Employer contributions	1,500	1,300
Employee contributions	480	480
Benefits paid	(1,040)	(410)
Assets at 31 July	26,900	23,630

Analysis of the amount charged to income and expenditure account

	Year ended	Year ended
	2015	2014
	£000	£000
Current service cost (net of employer contributions)	(140)	380
Past service cost	80	40
Total operating charge	(60)	420

Analysis of pension finance (costs) / income

	Year ended	Year ended
	2015	2014
	£'000	£000
Expected return on pension scheme assets	1,590	1,520
Interest on pension liabilities	(1,370)	(1,460)
Pension finance (costs) / income	220	60

The actual return on scheme assets for the year was £2.33m (2013/14: (£0.88m))

The College expects to contribute £1,500k to its defined benefit pension plan in the year to 31 July 2016.

Amount recognised in the statement of total recognised gains and losses

	Year ended	Year ended
	2015	2014
	£000	£000
Actual return less expected return on pension scheme assets	740	(640)
Experience gains and losses arising on the scheme liabilities	-	-
Change in financial and demographic assumptions underlying the scheme liabilities	(3,090)	1,640
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(2,350)	1,000
Cumulative Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(7,580)	(5,230)

GATESHEAD COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2015

27 Pensions and Similar Obligations (continued)

Movement in (deficit) during year

	Year ended 2015 £000	Year ended 2014 £000
(Deficit) in scheme at 1 August	(9,590)	(10,230)
Movement in year:		
Employer service cost	(1,360)	(1,680)
Employer contributions	1,500	1,300
Past service cost	(80)	(40)
Net interest/return on assets	220	60
Actuarial gain or loss	(2,350)	1,000
	(2,070)	640
(Deficit) in scheme at 31 July	(11,660)	(9,590)

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:

	Proportion of assets at 31 July 2015	Fair Value at 31 July 2015 £000	Expected return at 31 July 2014	Proportion of assets at 31 July 2014	Fair Value at 31 July 2014 £000
Equities	65.9%	17,727	7.5%	67.2%	15,874
Corporate Bonds	11.6%	3,120	3.7%	11.5%	2,716
Property	9.6%	2,582	6.8%	9.1%	2,149
Other	8.6%	2,313	7.5%	8.6%	2,031
Government Bonds	9.3%	1,158	3.2%	3.6%	850
Total market value of assets		26,900			23,620

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

	2015 £000	2014 £000	2013 £000
Experience adjustments on scheme assets:	(2,350)	1,000	1,460
Experience adjustments on scheme liabilities:	-	-	(10)
	2015 £000	2014 £000	2013 £000
Defined benefit obligation	(38,560)	(33,220)	(31,610)
Fair value of scheme assets	26,900	23,630	21,380
Deficit in the scheme	(11,660)	(9,590)	(10,230)

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

28 Capital Commitments

	Group and College	
	2015	2014
	£000	£000
Commitments contracted for at 31 July	210	108

29 Financial Commitments

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

	Group and College	
	2015	2014
	£000	£000
Land and Buildings		
Expiring within one year	73	73
Expiring within two and five years inclusive	-	-
Expiring in over five years	-	-
	73	73

30 Contingent Liability

The College has been in receipt of significant income from the European Social Fund (ESF) in recent years, and has received £2,699,282 in the year ended 31 July 2015 (2014: £3,330,800), this was obtained via contracts with the Skills Funding Agency. The College was also in receipt of £104,468 from the European Regional Development Fund in the year ended 31 July 2015.

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

31 Related Party Transactions

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

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

GATESHEAD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

32 Discretionary Support Funds

	2015 £'000	2014 £'000
Access Funds		
Skills Funding Agency Grants – Hardship support	1,023	947
	<u>1,023</u>	<u>947</u>
Disbursed to students	(909)	(892)
Administration costs	(50)	(47)
	<u>64</u>	<u>8</u>
Balance unspent as at 31 July, included in Creditors		
Other Discretionary Support Funds		
Skills Funding Agency Grants – 20+ Childcare Support	124	214
	<u>124</u>	<u>214</u>
Disbursed to students	(132)	(131)
Administration costs	(6)	(11)
	<u>(14)</u>	<u>72</u>
Balance unspent as at 31 July, included in Creditors		
HE Hardship Funds		
Grants	15	19
	<u>15</u>	<u>19</u>
Disbursed to students	(13)	(12)
Administration costs	(2)	(1)
	<u>-</u>	<u>6</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.

33 Prior Period Adjustment

In the prior year the College's subsidiaries donated taxable profits to the College and accounted for this as an expense. Following the ICAEW Technical Release "Guidance on donation by a company to its parent charity" the accounting treatment has changed, as these donations of taxable profits are deemed to constitute distributions. As a result of this change, the timing of distributions have changed as they only became payable when approved by the College. The effect in the College entity Balance Sheet in the prior period is to reduce reserves by £210k from £51,158k to £50,948k and reduce Debtors from £6,434k to £6,224k.