

GATESHEAD COLLEGE

**Report and Financial Statements
for the year ended 31 July 2016**

GATESHEAD COLLEGE

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Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Executive Team and were represented by the following in 2015/16:

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

Board of Governors

A full list of Governors is given on page 12-13 of these financial statements. Bond Dickinson acted as clerk to the corporation throughout the period.

Professional Advisers

Financial Statements, Auditors and Reporting Accountants:

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

Internal Auditors:

PriceWaterhouseCoopers LLP
89 Sandyford Road
Newcastle upon Tyne
NE1 8HW

Bankers:

Barclays Bank
Grey Street
Newcastle upon Tyne
NE99 1JP

Solicitors:

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

Lloyds
102 Grey Street
Newcastle upon Tyne
NE1 6AG

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

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

GATESHEAD COLLEGE

REPORT OF THE GOVERNING BODY

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2016.

Legal status

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

Corporation Name

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

Mission

3. The College's mission as approved by its members is to provide an identifiable public benefit by: "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:

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- Provide outstanding teaching, learning and assessment, delivered in 'real-life' contexts' by expert staff underpinned by smart use of technology, to ensure qualification and destination success.
- Deliver a destination-driven curriculum and learning experiences, informed by employers and entrepreneurs, which make our students the most highly prized in job market.
- Build the Gateshead College brand and secure our position as the best vocational college in the region; the one which gives students the employment edge.
- Invest in research and development to create new products, learning experiences, and sustainable employment for staff and students.
- Grow our business; diversify income streams and develop new markets aligned to employer needs and the career choices of our students.
- Build our relationships with the best-in-class businesses, entrepreneurs and community stakeholders.
- Create a working environment where people are engaged and inspired to work together with focus, commitment and passion.
- Invest in our people; grow our talent so they fulfil their potential and that of our students, and make a positive impact on the performance of our business.
- Behave responsibly and ethically as a business, doing the right things in the right way, and shaping our students to become good citizens, living sustainable lives.
- Run our organisation effectively and efficiently, maintaining our financial health and ensuring we can invest in our future.
- 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 £40.0m for 2016/17, and a surplus of £341k.
- To maintain financial health as good to the period 31 July 2017, with the financial health score increasing to at least 230 out of 300.
- To achieve financial management self-assessment grade of good over the period of the plan
- To maintain financial capability to self-fund future capital investments, including new or development of current accommodation

Financial Objectives 2015/16

- To generate turnover of £36.4m – Achieved at £38.6m
- To generate a surplus of £65,000 – Surplus below target at £30,000.
- To generate a current ratio greater than 1 at 31 July 2016 – Achieved at 1.73

Performance Indicators

6. The College uses the following Key Performance Indicators (KPI's) to measures its performance internally, and benchmark against other FE providers nationally:
 - Learner Success Rates: Gateshead College achieved an overall learner success rate of 91.9% for the year to 31 July 2016 (2015: 89.9%), an increase on its target of 90.5% and national rate 82.3%
 - Financial Health Score: Gateshead College achieved its targeted Financial Health Score overall of Good in the year to 31 July 2016, the targeted score of 200 was achieved (2015: Score of 180)
 - Delivery against funding targets: Gateshead College achieved all its funding body contract targets in the year to 31 July 2016.
 - Destinations: Of the 3,851 destinations collected so far for 2015/16, 95.6% have a positive destination either into employment or continuing with education (2014/15: 94.3%).

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- **Employer Engagement:** The most recent FE Choices employer satisfaction data shows Gateshead scoring 8.0 under the previous scoring system, above the sector average of 7.9.
- **Learner Satisfaction:** The 2015/16 FE Choices learner survey shows a learner satisfaction score for the College of 82.1, above the sector average of 80.4
- **Employee Satisfaction:** The College staff survey in the year to 31 July 2016, showed a score of 71.3 overall employee satisfaction score compared to the 67.7 AoC national benchmark.

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

FINANCIAL POSITION

Financial results

7. The consolidated operating surplus in the year was £30,000 (2014/15 Loss: (£164,000)). During the year, £765,000 of staff restructuring costs were incurred (2014/15 £346,000), interest charges (net of the pension finance costs) of £420,000 (2014/15 £431,000), and restructuring costs of £0 from discontinuation of business operations (2014/15 £460,000).
8. The College has accumulated consolidated reserves of £15,111,000 excluding pension reserve (2014/15 - £18,481,000 excluding pension reserve) and consolidated cash balances including short-term investments of £6,749,000 (2014/15 - £6,669,000). The College wishes to continue to accumulate reserves and cash balances to fund further capital developments, and to reduce long-term loans.
9. The College’s portfolio of subsidiary companies consists of Amacus Limited, North East Apprenticeship Company Limited, the Gateshead College Foundation, Zero Carbon Futures (North) Limited, Zero Carbon Futures (UK) Limited and Gateshead Sport Management (Malaysia) SDN.BHD.

Amacus Limited’s primary operating activity was originally the delivery of Leadership and Management training, but now have developed a specialty in delivering employability qualifications to unemployed candidates. Amacus Limited continued to trade normally throughout the Financial Year to 31 July 2016.

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 2016.

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 2016 due to surplus being below the minimum threshold in 2014/15. 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 completed during the year to 2016.

Zero Carbon Futures (North) Limited was incorporated on 17th November 2011, its primary purpose was to

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house the 'Plugged in Places' project previously operated by the now closed Regional Development Agency ONE North East. This project is now complete.

On the 31st July 2013 Gateshead College exchanged its 20% holding in Gazelle Global Limited for 11% of Enterprise Through Innovation Limited, now called Gazelle Transform Limited, a company formed to exploit a new entrepreneurial curriculum. The other members are North Hertfordshire College 11%, New College Nottingham 11%, City College Norwich 11% and Warwickshire College 11%, Pearsons 22.5% and Gazelle Foundation 22.5%. Gateshead College also became one of 5 members of the Gazelle Foundation on 31st July 2013, a company limited by guarantee setup to promote and develop Entrepreneurial Education. The Gazelle Foundation was wound-up during the year to 31st July 2016, Gateshead College is entitled to a distribution of £20,000 as one of 5 members.

On the 15th May 2014 Gateshead College setup a company based in Malaysia called Gateshead Sport Management (Malaysia) SDN.BHD. This company was setup to manage a Sports Stadium contract in EduCity in Malaysia, as an initial step in Gateshead College's international strategy in Asia. This company did not trade in the year to 31 July 2016.

10. Tangible fixed asset additions to the group during the year totalled £953,000 which represented the ongoing update of facilities and equipment at all College campuses.
11. The College has significant reliance on the Educational Funding Agency (EFA) and Skills Funding Agency (SFA) for its principal funding sources, largely from recurrent grants. In 2015/2016 the EFA/SFA provided 70% of the College's total income.

Treasury Policies and Objectives

12. Treasury Management is the management of the College's cashflow, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

The College has a separate Treasury Management Policy in place.

Cashflow

13. At £1,789,000 (2014/15 £2,566,000), operating cash flow is strong.

Liquidity

14. During the year, the College secured no additional short term borrowing but has repaid £465,000. The College has borrowings of £11,107,000 at 31 July 2016 (2014/15 £11,571,000).

The size of the College's total borrowings and its approach to interest rates have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During 2015/2016 the margin was comfortably exceeded.

Reserves Policy

15. The College's reserve policy states:
 - The College aims to maintain cash or cash equivalents to cover the next month's Payroll, PAYE and Pension Provider commitments at £1,700,000. This was comfortably exceeded at 31 July 2016, cash and cash equivalents stood at £2,238,000.

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- The College aims to hold Investments to the value of the next 2 years Bank Loan commitments, currently £1,780,000. This was comfortably exceeded at 31 July 2016, investments stood at £4,511,000

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Accommodation Developments

16. During the year to 31 July 2016 the College pursued a strategy of reducing the size of its estate, in order to match the current capacity of its operations. There were two major developments in the year to 31 July 2016:
- Sale of Land at Kingston Park site in North Tyneside: This site formerly occupied by Tyneside Training Services, was sold and its staff and assets are currently being relocated to Phase 1 of the Construction Centre at the Team Valley in Gateshead.
 - Sale of the Access Road at Barmston Court: The access road purchased and developed as part of the College's facility at Barmston Court in Sunderland, was sold to the Local Authority as part of their continued development of the Barmston Business Park.

Student Numbers

17. The College is funded according to the level of activity it generates each year. In 2015/16 the College exceeded its overall learner number targets for 16-18, Adult, Apprenticeships and HE. The fall in headcount in 2015/16, 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	2014-2015	2015-2016	%+/-
	Headcount	Headcount	
16-18	2,488	2,397	-3.7%
19+	8,564	6,128	-28.4%
Total FE	11,052	8,525	-22.9%
Apprentices	Headcount	Headcount	
16-18	598	523	-12.5 %
19+	3,480	3,577	+2.8%
Total APPS	4,078	4,100	+0.5%
Higher Education	Headcount	Headcount	
HE	496	556	+12.1%

18. In the FE sector growth continued to be influenced by the continued economic recession during the year to 31 July 2016.

Student Success Rates

19. Student success rates in 2015/16, particularly on long level programmes, remain very strong and above national benchmarks. Student success rates comfortably exceeded national targets due to continuous improvements in the College's key priority, student success on long level programmes

FE	2014-15 Actual	2015-16 Actual
	%	%
Long course	85%	87%
Short course	94%	94%
All	90%	92%

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Curriculum Developments

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

Payment Performance

22. The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College endeavoured to pay its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Post-Balance Sheet Events

23. There are no post balance sheet events

Future Prospects

24. The UK Corporate Governance Code 2014 challenges companies to more stringently test its assumptions on 'Going Concern'. The College considers its 'Going Concern' position to be extremely strong over the next 36 months, making the following assumptions:
 - Financial Health Score: Gateshead College has improved its Financial Health score to 200 in the year to 31 July 2016. The 3 Year financial plan approved by the Board of Governors, details how the College will improve its Financial Health to 'Outstanding' in the year to 31 July 2019.
 - Student Numbers: Student Numbers for students aged 16-18 for the year to 31 July 2017 have increased by at least 120. The impact of the College's Ofsted 'Outstanding' grade and strengthening links with Jewish Community in Gateshead have led to the increased student numbers.
 - Reliance on Funding: The College reduced its reliance on EFA/SFA funding in the year to 31 July 2016 by 5%, reducing the proportion of EFA/SFA funding from 75% in the previous year to 70% in the year to 31 July 2016.
 - Area Review: The College is entering the Area Review process in an extremely strong position, retaining its status as the best performing College in the North East region in terms of student success rates and destinations. Coupled with the College's strong financial position it is uniquely placed to influence recommendations from the Area review process.
 - Apprenticeship Reform: The college has a national reputation for its apprenticeship programmes in key sectors such as engineering, construction, advanced manufacturing and automotive. The College has long established relationships with internationally and nationally renowned companies such as Nissan, Northern Powergrid and Pirelli. The College is at the forefront of apprenticeship reform piloting 'Trailblazer' schemes in Dual Fuel and SMART Metering with companies including Northern Powergrid, G4S, EDF and AMEY.
 - European Social Funding (ESF): The College has been informed recently that it has been successfully awarded two European Social Funding (ESF) bids, one a £4.7m 'North Eastern Support for the Unemployed' programme, and another £10m 'North Eastern Employees Support in Skills' programme. Both programmes run until 2018.

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RESOURCES

25. The College has various resources that it can deploy in pursuit of its strategic objectives, which include six newly built campuses completed in the last nine years.
26. The College maintenance programme continued in the year to 31st July 2016, however there were no significant additional developments to any particular College Campus or Building.
27. The College undertook a programme during the year to 31st July 2016 to rationalise its estate, to strategically align it to the current size of the College's operations. This programme included the sale of the Kingston Park Site formerly occupied by Tyneside Training Services, the sale of the access road at Barmston Court, and the long-term lease to of the Hub Building and Phase 2 section of the Construction Centre on Team Valley.

Financial

28. The Group has £15.1 million (2014/15 £18.5m) of net assets net of £15.5 million pension liability (2014/15 £11.7m) and borrowings of £11.1 million (2014/15 £11.6m).

People

29. The College employs 523 people (expressed as full time equivalents), of whom 315 are teaching staff (2015: 560 people of whom 338 were teaching staff)

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES:

31. The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.
32. Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.
33. A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout the College.

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

- **Government Funding:** The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2015/16, 70% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.
The College is aware of several issues which may impact on future funding, including impacts of government policy change following both the EU Referendum, change in governmental funding priorities for education including the Apprenticeship Levy, outcomes from the FE Area Review

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process, increased competition from both public and private training providers, failure to maintain a good or outstanding classification from Ofsted or change in economic conditions causing reduced learners in curriculum areas of key strength.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
 - Maximising private sector income
 - Ensuring the College is rigorous in delivering high quality education and training
 - Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
 - Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Tuition Fee Policy: Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Gateshead College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College. This risk is mitigated in a number of ways:
 - By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
 - Close monitoring of the demand for courses as prices change
 - Maintain adequate funding of pension liabilities: The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

STAKEHOLDER RELATIONSHIPS

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

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

Equal Opportunities

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

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

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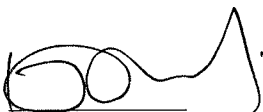
Disability Statement

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

Disclosure of Information to Auditor

38. The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditor is unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditor is aware of that information.

Approved by order of the members of the Corporation on 8 December 2016 and signed on its behalf by



Robin Mackie
Chair

8 December 2016

GATESHEAD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2015 to 31st July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The Corporation

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

<i>Appointee</i>	<i>Date of appointment</i>	<i>Term of office</i>	<i>Date of resignation</i>	<i>Status of appointment</i>	<i>Committees served</i>	<i>Attendance</i>
<i>Robin Mackie Chair</i>	<i>Reappointed with effect from End of April 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 2015</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 2015</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>Reappointed February 2014</i>	<i>4 years</i>		<i>Governor*</i>		
<i>Ivan Jepson Former Vice Chair</i>	<i>Reappointed March 2015</i>	<i>4 years</i>	<i>Resigned October 2015</i>	<i>Governor*</i>	<i>Chair – Governance Sub Group Business Committee Corporate Services Committee Remuneration Committee</i>	

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

<i>Appointee</i>	<i>Date of appointment</i>	<i>Term of office</i>	<i>Date of resignation</i>	<i>Status of appointment</i>	<i>Committees served</i>	<i>Attendance</i>
<i>Emily Cox</i>	<i>Reappointed July 2016</i>	<i>4 years</i>		<i>Governor*</i>	<i>Chair – Remuneration Committee Chair - People Committee</i>	
<i>Sally Hancox</i>	<i>Reappointed July 2016</i>	<i>4 years</i>		<i>Governor*</i>	<i>People Committee</i>	
<i>Nick Hurn</i>	<i>Appointed March 2014</i>	<i>4 years</i>		<i>Governor*</i>	<i>Interim Chair People Committee during Emily Cox's maternity leave Teaching & Learning Committee</i>	
<i>Christine Jones</i>	<i>Appointed April 2015</i>	<i>4 years</i>		<i>Governor*</i>	<i>Teaching & Learning Committee</i>	
<i>Josh Everest</i>	<i>Reappointed July 2016</i>	<i>1 year</i>		<i>Sabbatical President of the Students' Union</i>		
<i>Mark Taylor</i>	<i>Reappointed March 2016</i>	<i>1 year</i>		<i>Student 19+</i>	<i>Teaching & Learning Committee</i>	
<i>Harry Gills</i>	<i>Appointed March 2015</i>	<i>1 year</i>	<i>Resigned August 2015</i>			
<i>Judith Doyle Principal</i>	<i>August 2013</i>	<i>N/A</i>		<i>Principal</i>	<i>Business Committee Corporate Services Committee People Committee Teaching & Learning Committee Governance Sub Group</i>	
<p><i>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</i></p>						

GATESHEAD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

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

The Corporation has conducted its business through a number of committees throughout the year. Each committee has terms of reference, which have been approved by the full Corporation. These committees are Business, Corporate Services, People, Remuneration, Audit and Teaching and Learning. The terms of reference for the four new Quadrant Committees (see below) were approved in July 2014 and adopted in October 2014. 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.

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 monitoring the composition of the Corporation and making recommendations for appointments to it, for the development and training of governors,

GATESHEAD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

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

Remuneration Committee

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

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

Details of remuneration for the year ended 31 July 2016 are set out in note 8 to the financial statements.

Audit Committee

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

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

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

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

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

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

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum/Financial Agreement between Gateshead

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2016 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 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with the requirements of the EFA/SFA Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. As a minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control.

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

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

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

The Executive team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and