

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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REPORT OF THE GOVERNING BODY

- 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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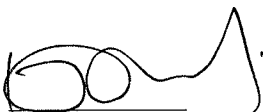
Disability Statement

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.

Appointee	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
<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

Appointee	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Emily Cox	Reappointed July 2016	4 years		Governor*	Chair – Remuneration Committee Chair - People Committee	
Sally Hancox	Reappointed July 2016	4 years		Governor*	People Committee	
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	Reappointed July 2016	1 year		Sabbatical President of the Students' Union		
Mark Taylor	Reappointed March 2016	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	
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						

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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

GATESHEAD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

The purpose of the system of internal control

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

GATESHEAD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

reinforced by risk awareness training. The Executive team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 8 December 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

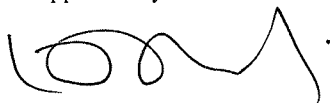
Based on the advice of the Audit Committee and the Accounting Officer, the corporation is of the opinion that the College has adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources,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

Going Concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. As detailed in the 'Future Prospects' section on Page 7, the College is confident that it will remain a 'Going Concern' for a minimum of 36 months, after making the following assumptions:

- Financial Health Score: The College's Financial Health score increased to 200 'Good' in the year to 31 July 2016, and is predicted to improve to an 'Outstanding' grade by 31 July 2019.
- Student Numbers: 16-18 student numbers will increase by at least 120 in the year to 31 July 2016.
- Ofsted: The college was graded 'Outstanding' by Ofsted in June 2015.
- Reliance on Funding: The college reduced its reliance on Government grant funding by 5% in the year to 31 July 2016
- Apprenticeship Reform: The college is at the forefront, and has been running pilot schemes in preparation for Apprenticeship reforms and the introduction of the Apprenticeship levy. The College has ran apprenticeship 'trailblazer' schemes in Duel Fuel and SMART Metering with employers including Northern Powergrid, G4S, AMEY and EDF.
- Area Review: The College undertakes 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.
- European Social Funding (ESF): The College has been successful in winning two European Social Funding (ESF) bids, North Eastern Support for the Unemployed and North Eastern Employees Support in Skills. Combined funding for these two programmes totals £14.7m, with both running until 2018.

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



Robin Mackie
Chair

8 December 2016



Judith Doyle
Principal – Accounting Officer

8 December 2016

GATESHEAD COLLEGE

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

The Corporation has considered its responsibility to notify the 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).

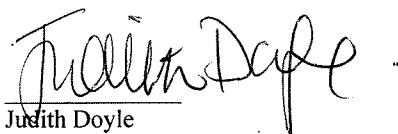
As part of our consideration we have had due regard to the requirements of the funding agreement. We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance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

8 December 2016



Judith Doyle
Accounting Officer

8 December 2016

GATESHEAD COLLEGE

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College. The Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2015 to 2016* issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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 also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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 relevant legislation of incorporation 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 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 are not put at risk.

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

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

We have audited the Group and College financial statements ("the Financial Statements") set out on pages 23 to 53. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as set out in our engagement letter dated 25 November 2015.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 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 2016 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 19, 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 2016 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 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

Date: 9 December 2016

GATESHEAD COLLEGE

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION

Reporting Accountant's Assurance Report on Regularity

To: Corporation of Gateshead College and Secretary of State for Education acting through Skills Funding Agency

In accordance with the terms of our engagement letter dated 25 November 2015 and supplementary letter dated 22 November 2016 ('engagement letter') 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 2015 to 31 July 2016 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 Education 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 Education 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 Education 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 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 2015 to 31 July 2016 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.

GATESHEAD COLLEGE

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION (CONTINUED)

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including 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 2015 to 31 July 2016 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

Date: *19 December 2016*

GATESHEAD COLLEGE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 July 2016		Year ended 31 July 2015 Restated	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	27,368	27,291	33,305	34,345
Tuition fees and education contracts	3	5,344	5,249	3,665	3,351
Other grants and contracts	4	3,331	678	4,956	884
Other income	5	2,288	2,038	2,238	2,325
Investment income	6	42	24	40	21
Donations and Endowments	7	-	531	-	580
Total income		38,373	35,811	44,204	41,506
EXPENDITURE					
Staff costs	8	19,865	18,771	21,487	20,450
Restructuring costs	8	765	765	346	346
Other operating expenses	9	14,761	13,345	18,948	17,647
Depreciation	12	2,377	2,280	2,500	2,430
Interest and other finance costs	10	830	830	811	811
Total expenditure		38,598	35,991	44,092	41,684
(Deficit)/Surplus before other gains and losses		(225)	(180)	112	(178)
Gain/(loss) on disposal of assets	12	255	255	(70)	(70)
Gain/(loss) on investments		-	-	(206)	(206)
Surplus/(Deficit) before tax		30	75	(164)	(454)
Taxation	11	-	-	-	-
Surplus/(Deficit) for the year		30	75	(164)	(454)
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial loss in respect of pensions schemes	24	(3,400)	(3,400)	(1,770)	(1,770)
Total Comprehensive Income for the year		(3,370)	(3,325)	(1,934)	(2,224)
Represented by:					
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive income		(3,370)	(3,325)	(1,934)	(2,224)
		(3,370)	(3,325)	(1,934)	(2,224)
Surplus for the year attributable to:					
Non-controlling interest		-	-	-	-
Group		30	75	(164)	(454)
Total Comprehensive Income for the year attributable					
Non-controlling interest		-	-	-	-
Group		(3,370)	(3,325)	(1,934)	(2,224)

GATESHEAD COLLEGE

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES


	Income and expenditure account	Revaluation reserve	Total excluding Non- controlling interest	Non- controlling interest	Total
	£'000	£'000	£'000	£'000	£'000
Group					
Restated Balance at 1st August 2014	20,415	-	20,415	-	21,116
Surplus/(deficit) from the income and expenditure account	(164)	-	(164)	-	(164)
Other comprehensive income	(1,770)	-	(1,770)	-	(1,770)
Transfers between revaluation and income and expenditure reserves	-	-	-	-	-
	(1,934)	-	(1,934)	-	(1,934)
Balance at 31st July 2015	18,481	-	18,481	-	18,481
Surplus/(deficit) from the income and expenditure account	30	-	30	-	30
Other comprehensive income	(3,400)	-	(3,400)	-	(3,400)
Transfers between revaluation and income and expenditure reserves	-	-	-	-	-
Total comprehensive income for the year	(3,370)	-	(3,370)	-	(3,370)
Balance at 31 July 2016	15,111	-	15,111	-	15,111
College					
Restated Balance at 1st August 2014	19,157	-	19,157	-	19,157
Surplus/(deficit) from the income and expenditure account	(454)	-	(454)	-	(454)
Other comprehensive income	(1,770)	-	(1,770)	-	(1,770)
Transfers between revaluation and income and expenditure reserves	-	-	-	-	-
	(2,224)	-	(2,224)	-	(2,224)
Balance at 31st July 2015	16,933	-	16,933	-	16,933
Surplus/(deficit) from the income and expenditure account	75	-	75	-	75
Other comprehensive income	(3,400)	-	(3,400)	-	(3,400)
Transfers between revaluation and income and expenditure reserves	-	-	-	-	-
Total comprehensive income for the year	(3,325)	-	(3,325)	-	(3,325)
Balance at 31 July 2016	13,608	-	13,608	-	13,608

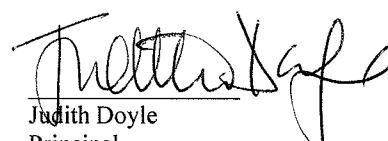
GATESHEAD COLLEGE

BALANCE SHEET AS AT 31 JULY

	Notes	Group	College	Group	College
		2016	2016	Restated	
		£'000	£'000	2015	2015
				£'000	£'000
Non current assets					
Tangible Fixed assets	12	66,861	66,435	68,989	68,656
Goodwill	13	2	-	9	-
Investments	13	-	150	-	150
Pensions asset	25	-	-	-	-
		66,863	66,585	68,998	68,806
Current assets					
Stocks		50	50	24	24
Trade and other receivables	14	3,602	3,437	5,852	5,931
Investments	15	4,511	3,511	3,000	1,000
Cash and cash equivalents	20	2,238	1,761	3,669	3,145
		10,401	8,759	12,545	10,100
Less: Creditors – amounts falling due within one year	16	(7,709)	(7,292)	(10,515)	(9,426)
Net current assets		2,692	1,467	2,030	674
Total assets less current liabilities		69,555	68,052	71,028	69,480
Creditors – amounts falling due after more than one year	17	(38,174)	(38,174)	(40,157)	(40,157)
Provisions					
Defined benefit obligations	19	(15,520)	(15,520)	(11,660)	(11,660)
Other provisions	19	(750)	(750)	(730)	(730)
Total net assets		15,111	13,608	18,481	16,933
Unrestricted Reserves					
Income and expenditure account		15,111	13,608	18,481	16,933
Revaluation reserve		-	-	-	-
Total unrestricted reserves		15,111	13,608	18,481	16,933

The financial statements on pages 23 to 53 were approved and authorised for issue by the Corporation on 8th December 2016 and were signed on its behalf on that date by:


 Robin Mackie
 Chair
 8 December 2016


 Judith Doyle
 Principal
 8 December 2016

GATESHEAD COLLEGE

CONSOLIDATED STATEMENT OF CASHFLOWS

	Notes	2016 £'000	Restated 2015 £'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		30	336
Adjustment for non-cash items			
Depreciation		2,370	2,502
(Increase)/decrease in stocks		(26)	(12)
(Increase)/decrease in debtors		2,250	936
Increase/(decrease) in creditors due within one year		(2,205)	(300)
Increase/(decrease) in creditors due after one year		(1,285)	(1,357)
Increase/(decrease) in provisions		-	20
Pensions costs less contributions payable		480	(280)
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		(44)	(40)
Interest payable		420	431
Lennartz VAT Financing cost		54	54
(Profit) / Loss on sale of fixed assets		(255)	276
Net cash flow from operating activities		<u>1,789</u>	<u>2,566</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		976	27
Capital Grants Received / (Released/Repaid)		(456)	(1,109)
Disposal of non-current asset investments		-	-
Investment income		44	40
Withdrawal of deposits		-	1,000
New deposits		(1,511)	-
Payments made to acquire fixed assets		(953)	(782)
		<u>(1,900)</u>	<u>(824)</u>
Cash flows from financing activities			
Interest paid		(420)	(431)
Interest element of finance lease rental payments		-	-
New unsecured loans		-	-
Repayments of amounts borrowed		(465)	(455)
Repayment of Lennartz VAT		(435)	(435)
		<u>(1,320)</u>	<u>(1,321)</u>
(Decrease) / Increase in cash and cash equivalents in the year		<u>(1,431)</u>	<u>421</u>
Cash and cash equivalents at beginning of the year	20	3,669	3,248
Cash and cash equivalents at end of the year	20	2,238	3,669

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

1 Statement of Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 28.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition
- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

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

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

1 Statement of Accounting Policies *(continued)*

Basis of consolidation (continued)

acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. Provision is made for any impairment. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2016.

Going concern

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

The College currently has £11.1m (2015: £11.6m) of loans outstanding with bankers on terms negotiated in 2007. The terms of the existing agreement are for 25 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

As such the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis. The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

1 Statement of Accounting Policies *(continued)*

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.

Short-term Employment Benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by the college annually. An estimate of the expected future costs of any enhancement to the on-going pension of a former member of staff is charged in full to the college's income and expenditure account in the year that the staff member retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

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

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

1 Statement of Accounting Policies *(continued)*

Land and buildings *(continued)*

expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable. Shortfalls between the carrying value of the assets and their recoverable amounts, are recognised in impairments. Impairment losses are recognised in the income and expenditure account.

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

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

Intangible Assets and Goodwill

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

Goodwill	-	5 years
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Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

1 Statement of Accounting Policies *(continued)*

Leased assets (cont.)

Leasing agreements, which transfer to the College substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright.

The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements.

The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding.

Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Investments

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

Stocks

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

Maintenance of premises

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

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign currency translation

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

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

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

1 Statement of Accounting Policies (*continued*)

Taxation (cont.)

potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

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

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and Contingent Liabilities

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Discretionary Support Funds

The Discretionary Support Fund grant from the 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 26, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

1 Statement of Accounting Policies (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty (cont.)

Other key sources of estimation uncertainty

- *Tangible fixed assets:* Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- *Local Government Pension Scheme:* The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

2 Funding body grants	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Skills Funding Agency	15,509	15,418	17,957	18,942
Education Funding Agency	10,846	10,845	11,478	11,478
Higher Education Funding Council	426	426	348	348
Specific grants				
Skills Funding Agency – European Funds	(36)	(36)	2,841	2,841
Releases of government capital grants	623	623	679	679
HE grant	-	15	2	57
Total	27,368	27,291	33,305	34,345

3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	652	652	332	332
Apprenticeship fees and contracts	1,413	1,386	1,055	958
Fees for FE loan supported courses	475	475	232	232
Fees for HE loan supported courses	1,705	1,705	1,449	1,449
Total tuition fees	4,245	4,218	3,068	2,971
Education contracts	1,099	1,031	597	380
Total	5,344	5,249	3,665	3,351

4 Other grants and contracts	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
European Commission	30	30	105	105
Other grants and contracts	3,301	648	4,850	779
Total	3,331	678	4,955	884

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

5 Other income	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering	91	92	192	192
Other income generating activities	527	416	703	684
Non Funding Body capital grants	662	662	680	680
Miscellaneous income	1,008	868	663	769
Total	2,288	2,038	2,238	2,325

6 Investment income	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	-	-	-	-
Other interest receivable	42	24	40	21
	42	24	40	21
Net return on pension scheme (note 24)	-	-	220	220
Total	42	24	260	241

7 Donations – College only	2016	2015
	£'000	£'000
Unrestricted donations	531	580
Total	531	580

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

8 Staff costs – Group and College

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

	2016	2015
	No.	No.
Teaching staff	315	338
Non-teaching staff	208	223
	<u>523</u>	<u>561</u>
Staff costs for the above persons		
	2016	2015
	£'000	£'000
Wages and salaries	16,035	17,711
Social security costs	1,295	1,304
Other pension costs	2,535	2,472
Payroll sub total	19,865	21,487
Contracted out staffing services	-	-
	<u>19,865</u>	<u>21,487</u>
Fundamental restructuring costs – Contractual	765	346
– Non contractual	-	-
	<u>-</u>	<u>-</u>
Total Staff costs	20,630	21,833

Key management personnel

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

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

	2016	2015
	No.	No.
The number of key management personnel including the Accounting Officer was:	6	5

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

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

	Key management personnel		Other staff	
	2016	2015	2016	2015
	No.	No.	No.	No.
£70,001 to £80,000 p.a.	-	-	2	2
£90,001 to £100,000 p.a.	-	1	-	-
£100,001 to £110,000 p.a.	2	2	-	-
£130,001 to £140,000 p.a.	-	1	-	-
£140,001 to £150,000 p.a.	1	-	-	-
£150,001 to £160,000 p.a.	1	-	-	-
£160,001 to £170,000 p.a.	-	1	-	-
£210,001 to £220,000 p.a.	1	-	-	-
	<u>5</u>	<u>5</u>	<u>2</u>	<u>2</u>

Key management personnel emoluments are made up as follows:

	2016	2015
	£'000	£'000
Salaries	777	607
Benefits in kind	-	-
National insurance	97	76
	<u>874</u>	<u>683</u>
Pension contributions	103	78
	<u>977</u>	<u>761</u>
Total emoluments	977	761

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

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

	2016	2015
	£'000	£'000
Salaries	214	170
Benefits in kind	-	-
	<u>214</u>	<u>170</u>
Pension contributions	30	22
	<u>244</u>	<u>192</u>
Total emoluments	244	192

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

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

9 Other operating expenses

	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	6,049	6,957	9,100	11,048
Non-teaching costs	3,725	3,163	3,959	3,484
Premises costs	4,987	3,224	6,165	3,391
Less: Loss on Assets / Investments	-	-	(276)	(276)
Total	14,761	13,344	18,948	17,647

Other operating expenses include:

	2016	2015
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	25	43
Internal audit**	35	30
Other services provided by the financial statements auditor (Including Tax Services and External Funding Grant audits)	18	18
Other services provided by the internal auditors	-	-
Gain on disposal of non-current assets	252	70
Hire of assets under operating leases	124	73

* includes £25,240 in respect of the College (2014/15 £33,528)

** includes £35,132 in respect of the College (2014/15 £30,000)

10 Interest and other finance costs – Group and College

	2016	2015
	£'000	£'000
On bank loans, overdrafts and other loans:	420	431
	<u>420</u>	<u>431</u>
On finance leases	-	-
Pension finance costs (note 25)	410	380
	<u>410</u>	<u>380</u>
Total	830	811

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

11 Taxation – Group only

	2016 £'000	2015 £'000
United Kingdom corporation tax	-	-
Provision for deferred corporation tax in the accounts of the subsidiary company	-	-
Total	-	-

12 Tangible fixed assets (Group)

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2015	69,205	6,727	9,948	-	85,880
Additions	57	6	890	-	953
Disposals	(708)	-	(82)	-	(790)
At 31 July 2016	68,554	6,733	10,756	-	86,043
Depreciation					
At 1 August 2015	9,213	1,643	6,035	-	16,891
Charge for the year	1,512	200	658	-	2,370
Elimination in respect of disposals	(13)	-	(66)	-	(79)
At 31 July 2016	10,712	1,843	6,627	-	19,182
Net book value at 31 July 2016	57,842	4,890	4,129	-	66,861
Net book value at 31 July 2015	59,992	5,084	3,913	-	68,989

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

12	Tangible fixed assets (College only)				
	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000		£'000
Cost or valuation					
At 1 August 2015	69,337	6,726	9,386	-	85,449
Additions	57	7	839	-	903
Disposals	(838)	-	(83)	-	(921)
At 31 July 2016	68,556	6,733	10,142	-	85,431
Depreciation					
At 1 August 2015	9,212	1,643	5,938	-	16,793
Charge for the year	1,511	201	568	-	2,280
Elimination in respect of disposals	(13)	-	(64)	-	(77)
At 31 July 2016	10,710	1,844	6,442	-	18,996
Net book value at 31 July 2016	57,846	4,889	3,700	-	66,435
Net book value at 31 July 2015	60,125	5,083	3,448	-	68,656

13 Non-current investments

	College	College
	2016	2015
	£'000	£'000
Investments in Amacus Limited at Cost	127	127
Investments in Gateshead Sport Malaysia	23	23
Other non-current asset investments	-	-
Total	150	150

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

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

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 2016, 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

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

Note 13 continued

of 3% turnover, in 2015/16 this was not achieved preventing an annual donation.

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

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

On the 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.

13 Goodwill

	Group 2016 £'000	Group 2015 £'000
Goodwill Brought forward at 1 August	9	17
Additions	-	-
Amortisation	(7)	(8)
Goodwill Carried forward at 31 July	<u>2</u>	<u>9</u>

The carrying value of goodwill as at 31 July 2016, related to the purchase of Tyneside Training Services Ltd. The remaining goodwill of £1,645 will be fully amortised in the year to 31 July 2017.

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

14 Debtors

	Group	College	Group	College
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	1,315	1,254	2,510	2,461
Amounts owed by group undertakings:	-	3	4	374
Prepayments and accrued income	1,858	1,778	2,252	2,027
Amounts owed by the [Skills Funding Agency/EFA]	380	380	920	920
Other Debtors	49	22	166	149
Total	3,602	3,437	5,852	5,931

15 Current investments

	Group	College	Group	College
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
Short term deposits	4,511	3,511	3,000	1,000
Total	4,511	3,511	3,000	1,000

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

16 Creditors: amounts falling due within one year

	Group	College	Group	College
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	480	480	465	465
Trade payables	2,728	2,455	2,430	2,297
Amounts owed to group undertakings	-	125	3	217
Other taxation and social security	1,310	1,272	940	929
Accruals and deferred income	1,070	1,057	3,513	3,134
Amounts owed to the [Skills Funding Agency/EFA]	20	20	687	687
Deferred income - government capital grants	1,149	1,149	1,285	1,285
Other Creditors	952	734	1,192	412
Total	7,709	7,292	10,515	9,426

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

17 Creditors: amounts falling due after one year

	Group	College	Group	College
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
Bank loans	10,627	10,627	11,106	11,106
Lennartz Creditor > 1 Year	184	184	565	565
Deferred income - government capital grants	27,363	27,363	28,486	28,486
Total	38,174	38,174	40,157	40,157

The Lennartz creditor represents 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.

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group	College	Group	College
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
In one year or less	480	480	465	465
Between one and two years	492	492	480	480
Between two and five years	1,558	1,558	1,516	1,516
In five years or more	8,577	8,577	9,110	9,110
Total	11,107	11,107	11,571	11,571

The term loan is split into two elements £6,668,952.84 at 5.49% fixed for 25 years and £4,437,500 charged at a rate of 0.45% over the variable LIBOR rate. The loan is secured by way of a first legal charge on the freehold property, Skills Academy – Automotive and the Baltic Campus.

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

19 Provisions

	Group and College				
	Defined benefit obligations	Restructuring	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2015	11,660	-	730	-	12,390
Expenditure in the period	3,860	-	70	-	3,930
Additions in period	-	-	(50)	-	(50)
At 31 July 2016	15,520	-	750	-	16,270

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

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2016	2015
Price inflation	3.74%	3.74%
Discount rate	2.5%	2.5%

20 Cash and cash equivalents

	At 1 August 2015	Cash flows	Other changes	At 31 July 2016
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,669	(1,431)	-	2,238
Overdrafts	-	-	-	-
Total	3,669	(1,431)	-	2,238

21 Capital and other commitments

	Group and College	
	2016	2015
	£'000	£'000
Commitments contracted for at 31 July	354	210

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

22 Lease obligations

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

	Group and College	
	2016	2015
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	124	73
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>124</u>	<u>73</u>
Other		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>-</u>

23 Contingent liabilities

The College has been in receipt of significant income from the European Social Fund (ESF) in recent years, and has received £0 in the year ended 31 July 2016 (2015: £2,699,282), this was obtained via contracts with the Skills Funding Agency. The College was also in receipt of £0 (2015: £104,468) from the European Regional Development Fund in the year ended 31 July 2016. The College was subject to an SFA audit clawback off £35,500 funds in the year end 31 July 2016, relating to the ESF project Skills

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

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

24 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Wessex Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Tyne & Wear Pension Fund. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2016	2015
	£000	£000
Stakeholder Pension Scheme: contributions paid	33	20
Teachers' Pension Scheme: contributions paid	1,075	1,061
Local Government Pension Scheme:		
Contributions paid	1,428	1,037
FRS 102 (28) charge	120	(60)
Charge to the Statement of Comprehensive Income	1,548	977
Enhanced pension charge to Statement of Comprehensive Income	-	20
Total Pension Cost for Year within staff costs	2,656	2,078

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

Contributions amounting to £506,000 (2015 £273,000) were payable to the scheme at 31st July and are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

Valuation of the Teachers' Pension Scheme

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

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

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,724,000 (2015: £1,776,000)

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Tyne & Wear Pension Fund. The total contributions made for the year ended 31 July 2016 were £1,880,000 (2015: £1,980,000), of which employer's contributions totalled £1,430,000 (2015: £1,500,000) and employees' contributions totalled £450,000 (2015: £480,000). The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 7.5% for employees, depending on salary.

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.0%	3.6%
Future pensions increases	1.5%	2.1%
Discount rate for scheme liabilities	2.4%	3.6%
Inflation assumption (CPI)	1.5%	2.1%
Pension accounts revaluation rate	1.5%	2.1%

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 2016	At 31 July 2015
	years	years
<i>Retiring today</i>		
Males	23.2	23.1
Females	25.3	25.1
<i>Retiring in 20 years</i>		
Males	24.8	24.7
Females	27.1	27.0

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

	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016 £'000	Long-term rate of return expected at 31 July 2015	Fair Value at 31 July 2015 £'000
Equity instruments	66.3%	20,666	65.9%	17,727
Debt instruments	15.3%	4,769	15.2%	4,089
Property	10.0%	3,117	9.6%	2,582
Cash	3.0%	935	2.8%	753
Other	5.4%	1,683	6.5%	1,749
Total fair value of plan assets		31,170		26,900
Actual return on plan assets		2,160		1,370

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

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

	2016	2015
	£'000	£'000
Fair value of plan assets	31,170	26,900
Present value of plan liabilities	(46,690)	(38,560)
Present value of unfunded liabilities	(750)	(730)
Net pensions (liability)/asset (Note 19)	(16,270)	(12,390)

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

	2016	2015
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,490	1,410
Past service cost	60	80
Total	1,550	1,490

Amounts included in investment income

Net interest income	390	360
	1,940	1,850

Amount recognised in Other Comprehensive Income

Return on pension plan assets	2,160	1,370
Experience losses arising on defined benefit obligations	(5,510)	(3,090)
Changes in assumptions underlying the present value of plan liabilities	-	-
Amount recognised in Other Comprehensive Income	(3,350)	(1,720)

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

	2016	2015
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(11,660)	(9,590)
Movement in year:		
Current service cost	(1,490)	(1,410)
Employer contributions	1,430	1,500
Past service cost	(60)	(80)
Net interest on the defined (liability)/asset	(390)	(360)
Actuarial gain or loss	(3,350)	(1,720)
Net defined benefit (liability)/asset at 31 July	(15,520)	(11,660)

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

Asset and Liability Reconciliation

	2016	2015
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	38,560	33,220
Current service cost	1,490	1,410
Interest cost	1,380	1,350
Contributions by Scheme participants	450	480
Experience gains and losses on defined benefit obligations	5,510	3,090
Changes in financial assumptions	-	-
Estimated benefits paid	(760)	(1,070)
Past Service cost	60	80
Curtailments and settlements	-	-
Defined benefit obligations at end of period	46,690	38,560

Changes in fair value of plan assets

Fair value of plan assets at start of period	26,900	23,630
Interest on plan assets	990	990
Remeasurement gains / losses on assets	2,160	1,370
Employer contributions	1,430	1,500
Contributions by Scheme participants	450	480
Estimated benefits paid	(760)	(1,070)
Fair value of plan assets at end of period	31,170	26,900

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

25 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.

26 Amounts disbursed as agent of Learner support funds

	2016	2015
	£'000	£'000
Funding body grants – bursary support	808	1,023
Funding body grants – discretionary learner support	126	124
Funding body grants – residential bursaries	-	-
Other Funding body grants	15	15
Interest earned	-	-
	<hr/> 949	<hr/> 1,162
Disbursed to students	(887)	(1,054)
Administration costs	(42)	(58)
	<hr/>	<hr/>
Balance unspent as at 31 July, included in creditors	20	50

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

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

27 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	Note	1 st August 2014		31 st July 2015	
		Group £'000	College £'000	Group £'000	College £'000
Financial Position					
Total reserves under previous SORP		21,116	19,858	19,105	17,557
Employee leave accrual	(a)	(701)	(701)	(624)	(624)
Total effect of transition to FRS 102 and 2015 FE HE SORP		<u>(701)</u>	<u>(701)</u>	<u>(624)</u>	<u>(624)</u>
Total reserves under 2015 FE HE SORP		<u>20,415</u>	<u>19,157</u>	<u>18,481</u>	<u>16,933</u>

		Year ended 31 st July 2015	
		Group £'000	College £'000
Financial performance			
Surplus for the year after tax under previous SORP		339	49
Employee Leave charged to the I&E	(a)	77	77
Changes to measurement of net finance cost on defined benefit plans	(b)	(580)	(580)
Total effect of transition to FRS 102 and 2015 FE HE SORP		<u>(503)</u>	<u>(503)</u>
Total comprehensive income for the year under 2015 FE HE SORP		<u>(164)</u>	<u>(454)</u>

GATESHEAD COLLEGE

NOTES TO THE ACCOUNTS

27 continued) Transition to FRS 102 and the 2015 FE HE SORP

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 5.7 days unused leave for teaching staff and 3.2 days unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £701,000 was recognised at 1 August 2014, and at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of (£77,000) has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

c) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

