



# Annual Report and Financial Statements

Year ended 31 July 2021

# Gateshead College

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# Gateshead College

## Reference and Administrative Details

### Board of Governors

David Alexander (Principal/CEO, appointed June 2021)

Aneela Ali

Robin Bailes (Support Staff Governor, appointed January 2021)

David Brind (appointed 23 December 2020)

Andy Cole (Interim Principal/CEO, retired June 2021)

Carol Davenport (appointed 23 December 2020)

Roux Diablo (Student Governor, appointed 15 December 2021)

Simon Ennew (Teaching Staff Governor)

Martin Gannon

Martin Hedley

John Hogg (Interim Chair of Board to 9 December 2020, resigned April 2021)

Andrew Lorimer (resigned October 2020)

Sarah McBean (student governor, appointed May 2020, resigned May 2021)

Chris Macklin (resigned April 2021)

David Mitchell

Georgina Moroney (student governor appointed May 2020, resigned May 2021)

Claire-Jane Rewcastle

Sarah Stewart (appointed as Chair of Board 9 December 2020)

Sarah Vening (appointed 23 December 2020, resigned October 2021)

Michael Wood-Williams (appointed 27 January 2021)

The following governors have been appointed since 31 July 2021:

Lisa Crichton-Jones appointed 1 August 2021

Gareth Edmunds appointed 1 August 2021

### Clerk/Company Secretary

Womble Bond Dickinson LLP

### **Senior management team**

David Alexander	Principal and Chief Executive (Start date 28 June 2021)
Andy Cole	Interim Principal and Chief Executive (Left 31 August 2021)
Chris Toon	Deputy Principal: Curriculum and Quality
Jeremy Cook	Deputy Principal: Finance and Resources (Start date 10 August 2021)
Keith Oxspring	Interim Director of Finance (Left 31 August 2021)
Ivan Jepson	Director of Business Development
Nadine Hudspeth	Director of Marketing & Communications
John Gray	Director of Student Experience (Resigned 30 June 2021)

### **Principal and Registered Office**

Baltic Campus, Quarryfield Road, Gateshead, NE8 3BE.

### **Professional advisors**

External auditor	Mazars LLP, Bank Chambers, 26 Mosley Street, Newcastle upon Tyne, NE1 1DF.
Solicitors	Square One Law, Anson House, Burdon Terrace, Newcastle upon Tyne NE2 3AE Womble Bond Dickinson LLP, St Anne's Wharf, 112 Quayside, Newcastle upon Tyne. NE99 1SB.
Bankers	Barclays Bank, Grey Street, Newcastle upon Tyne, NE99 1JP. Lloyds Bank, 17 Ellison Walk, Gateshead. NE8 1BF.

# Gateshead College

## Strategic report

### OBJECTIVES AND STRATEGY

The governing body presents its annual report together with the financial statements and auditor's report for Gateshead College for the year ended 31 July 2021.

### Legal status

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.

As part of its recovery plan, the College disposed of two subsidiaries during the year; Zero Carbon Futures (UK) Limited and Tyneside Training Services Limited.

Following an FE Commissioner-led Structure and Prospects Appraisal and the satisfaction of certain conditions placed on the College by the FE Commissioner, it was confirmed that the College should remain an independent further education corporation on 13 July 2021.

### Corporation Name

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

The College's charitable objects are to advance education and learning for the benefit of the public.

The College's vision is to lead the skills sector in delivering the highest standards of education and training to our students and to provide industry with the skilled workforce it needs both now and for the future. In doing this College is recognised as giving students Employment Edge. The College's purpose is "to shape and nurture the most highly prized students in the jobs market."

### Public Benefit

Gateshead College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 3. 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 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 identifiable public benefits through the advancement of education to approximately 7,500 students. The College provides courses without charge to young people, to those who are unemployed and adults taking English and maths courses. The College meets the needs of local employers and provides training to 1,135 apprentices and 26 students undertaking T-levels.

Identifiable public benefits delivered by Gateshead College include:

- High-quality teaching and learning
- Widening participation and tackling social exclusion
- Enabling positive progression and employment for students
- Providing strong student support systems
- Working with employers, industry, local authorities, Local Enterprise Partnerships (LEPs) and communities to meet local needs and regional priorities in relation to education and training

### **Strategic plan**

The College normally prepares an updated strategic plan every 3 years and the corporation monitors the performance of the College against these plans. During the period of financial intervention and recovery the College has continued to work with the plan for the period 2016 to 2019 which remains relevant to its direction and priorities. The plan is currently under review and a revised and updated version will be published during 2022.

### **Resources**

The College currently has various resources that can be deployed in pursuit of strategic objectives, which include five newly built campuses completed in the last twelve years. The College sold three properties in the year to 31 July 2021, with a view to generating cash to reduce the level of borrowings creating a more stable foundation on which the College can move forward.

The College maintenance programme was supported during the year by a £1.4m allocation provided by the FE Building Improvement fund from the Education and Skills Funding Agency (ESFA). All campuses benefitted from this fund which supported work identified in the College's FE Condition Data Collection report.

### *Financial*

The Group has net liabilities of £12.9m including pension liability of £34.5m (2019/20 net liabilities of £25.2m including pension liability of £39.7m). The Group has bank debt of £5.4 million (2019/20 £9.1m) and net current assets of £2.8m (2019/20 net current liabilities £15.6m)

### *People*

The College employed an average of 432 people (expressed as full time equivalents), of whom 225 are teaching staff (2020: 527 people of whom 278 were teaching staff)

### *Reputation*

The College's continues to enjoy a good reputation both locally and nationally, despite the financial challenges of 2018-19 and 2019-20. There has been a clear focus during 2020-21 on building stakeholder trust and confidence in the College whilst maintaining the quality of teaching and learning and restoring financial health.

## **STAKEHOLDER RELATIONSHIPS**

In line with other colleges and with universities, Gateshead College has many stakeholders. These include:

- a. Students;
- b. Staff;
- c. Education Sector Funding Bodies;
- d. Local employers;
- e. Government Offices;
- f. Local Enterprise Partnerships;
- g. North East Chamber of Commerce
- h. Local communities;
- i. Schools
- j. Other FE institutions;
- k. Universities
- l. Trade Unions;
- m. Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with these partners.

## CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

### Accommodation Developments

During the year to 31 July 2021 the College sold 3 buildings (Future Technology Centre Warehouse, the Sustainable Manufacturing Centre SASMI and Construction Centre Phase 2). The College also progressed a campus maintenance programme funded by a £1.4m capital grant from the ESFA. The College continues to actively market the Future Technology Centre office building in Washington.

### Student Numbers

The College is funded according to the level of activity it generates each year. Student numbers are summarised in the table below:

<b>Further Education</b>	<b>2020-21</b>	<b>2019-2020</b>	<b>%+/-</b>
	<b>Headcount</b>	<b>Headcount</b>	
16-18	2,832	2,612	+8.4%
19+	3,137	2,997	+4.6%
<b>Total FE</b>	<b>5,969</b>	<b>5,609</b>	<b>+6.4%</b>
<b>Apprentices</b>	<b>Headcount</b>	<b>Headcount</b>	
16-18	485	511	-5.1%
19+	850	1,385	-38.6%
<b>Total APPS</b>	<b>1,335</b>	<b>1,896</b>	<b>-29.6%</b>
<b>Higher Education</b>	<b>Headcount</b>	<b>Headcount</b>	
<b>HE</b>	<b>188</b>	<b>250</b>	<b>-24.8%</b>
<b>Total</b>	<b>7,492</b>	<b>7,755</b>	<b>-3.4%</b>

Student numbers, particularly adult and apprenticeship activity, were impacted by the national COVID-19 lockdown from January to March 2021 and the consequential disruption to the labour market.

### Student Success Rates

Student success rates in 2020/21, particularly on long level programmes, remain very strong and above national benchmarks due to continuous improvements in the College's key priority, long level programmes.

<b>FE</b>	<b>2020-21 Actual %</b>	<b>2019-20 Actual %</b>
Long course	89.1%	88.8%
Short course	90.8%	94.8%
<b>All</b>	<b>88.3%</b>	<b>91.8%</b>

### **Curriculum Developments**

The curriculum offer is reviewed and updated on a regular basis to ensure that provision meets the needs of learners, employers and the local economy.

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.

### **Future Prospects**

The UK Corporate Governance Code 2014 challenges companies to more stringently test its assumptions on 'Going Concern'. Governors have gone through a robust and thorough process to conclude that they are able to adopt the going concern basis of accounting.

The College has already taken significant steps to address the financial deficit and challenges arising during 2019. The recovery plan prepared by the College indicates that surpluses can be generated going forward despite the significant impact of Covid-19. The College has learned that the outcome of the Independent Business Review (IBR) and Structures and Prospects Appraisal (SPA) is that the College will remain independent and is continuing to implement its' recovery plan. Governors regularly scrutinise financial information and test assumptions, as well as identifying any challenges or risks to recovery at an early stage in order to ensure that appropriate actions and mitigations are implemented. This ensures that the plan can be implemented and a sustainable future for the College achieved.

### **Financial Objectives 2020/21**

- In June 2020 the Board of Governors approved a budget for 2020/21. The budget sought to achieve an income target of £31.74m, incur costs of £31.71m and generate an operating surplus of £33,000. During 2020/21 the College achieved income of £31.1m, incurred costs but exceeded its operating surplus target (excluding FRS102 pension charges of £2,190,000) at £1,481,000. This enabled the College to generate a current ratio of 1.43 at 31 July 2021 rather than the anticipated 0.70.
- The approved 2020/21 budget forecast that the College would achieve an ESFA financial health rating of 'Requires Improvement' for the year to 31 July 2021. However, the surplus of £1,481,000 enabled an actual financial health rating of

'Outstanding' to be achieved for the year as measured by the ESFA. The College self-assesses its financial health as 'Good'.

### **Future Financial Objectives**

- To achieve the income target of £30.9m and operating surplus of £522,000 in the year to 31 July 2022.
- To achieve a current ratio of 1.08 at 31 July 2022.
- To maintain a minimum financial health rating of 'Good' during the year to 31 July 2022.

### **Performance Indicators**

1. The College uses the following Key Performance Indicators (KPI's) to measure its performance internally, and benchmark against other FE providers nationally:
  - Learner Success Rates: Gateshead College achieved an overall learner achievement rate of 88.3% for the year to 31 July 2021 (2020: 91.8%), this is better than the national rate by 3.5%.
  - Financial Health: The College's Financial Health rating improved to "Outstanding" as measured by the ESFA against the planned rating of "Requires Improvement". The College self-assesses financial health as "Good".
  - Adjusted Current Ratio: 1.61 compared with plan of 0.85
  - EBITDA as a percentage of income – 11.3% compared with plan of 8.8%
  - Borrowing as a percentage of income – 28.0% compared with plan of 31.5%
  - Delivery against funding targets: Gateshead College achieved most of its funding body contract targets in the year to 31 July 2021. The Adult Education Budget (AEB) was again adversely impacted by Covid-19 and the resulting lockdown, resulting in the College falling significantly short of its AEB allocation.
  - Destinations: The most recent set of destination data was collected in the year to 31 July 2019, with 95% have a positive destination either into employment or continuing with education.
  - Employer Engagement: The most recent FE Choices employer satisfaction data shows Gateshead scoring 81.1%, below the sector average of 83.5% (No FE Choices Survey took place in 2019/20 due to pandemic).
  - Learner Satisfaction: The 2018/19 FE Choices learner survey shows a learner satisfaction score for the College of 80.0%, just below the sector average of 81% (No FE Choices Survey took place in 2019/20 due to pandemic). 98.5% of learners said they are satisfied with their experience at the College.
  - Employee Satisfaction: The College latest staff survey showed a score of 7.8 out of 10 overall employee satisfaction score using the new survey provider Reward Gateway. This is an improvement on the score from 2019/20 which was 7.0.

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 Education and Skills Funding Agency ("ESFA"). The College was assessed by the Education and Skills Funding Agency as having a "Outstanding" financial health grading.

## **FINANCIAL POSITION**

### **Financial results**

The consolidated operating deficit in the year was £709,000 (2019/20 £8,494,000) after FRS102 charges of £2,190,000, without which operating surplus is £1,481,000. During the year, £195,000 of staff restructuring costs were incurred (2019/20 £2,122,000) plus interest charges (net of pension finance costs) of £327,000 (2019/20 £371,000). The surplus (excluding FRS102 pension charges) position in the year to 31 July 2021 of £1,481,000 was largely as a result of effective cost control.

The College's portfolio of trading subsidiary companies as at 31 July 2021 consisted of North East Apprenticeship Company Limited and the Gateshead College Foundation, The following subsidiary companies are no longer trading Amacus Limited, Zero Carbon Futures (North) Limited and Gateshead Sport Management (Malaysia) SDN.BHD. Zero Carbon Futures (UK) Limited was sold during the year to 31 July 2021.

The North East Apprenticeship Company Limited (NEAC) was registered on 12 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 2021 generating turnover of £307,188 and a pre-tax trading profit of £28,142.

Gateshead College Foundation was incorporated on 18 April 2011. This charitable organisation was established to provide financial support to students to ensure their studies are not impacted by personal hardship. The Foundation had income of £22,536 in the year with a positive movement in funds of £14,966. The remaining funds as at 31 July 2021 were £1,143,833.

Amacus Limited's activities were wound down during the previous year to 31 July 2020, and the company has now fully ceased trading. The company made a profit of £257,411 in the year, due to the waiver of an intercompany debt.

Zero Carbon Futures (North) Limited was incorporated on 17 November 2011. Its primary purpose was to house the 'Plugged in Places' project previously operated by the now closed Regional Development Agency ONE North East. During the year to 31 July 2021, the company generated turnover of £19,505 and a pre-tax profit of £112,814, primarily due to movement on defined benefit pension scheme. The activities in the company were transferred to a third party on 1 November 2020 at which point the company ceased trading.

On the 15 May 2014 Gateshead College set up a company based in Malaysia called Gateshead Sport Management (Malaysia) SDN.BHD. This company was required to manage a Sports Stadium contract in EduCity in Malaysia, as an initial step in Gateshead College's (now historical) international strategy in Asia. This company did not trade in the year to 31 July 2021, and has subsequently been wound down.

Zero Carbon Futures (UK) Limited was incorporated on 29 June 2011. This company's primary purpose was to establish the College's reputation as one of the leading providers of Electric Vehicle and Sustainable Manufacturing training in the UK. The interests in the company were transferred to a third party on 1 November 2020. Between 1 August 2020 and the sale of the company, it generated turnover of £54,929 and pre-tax loss of £10,843.

Tangible fixed asset additions to the group during the year totalled £476,000 which represented the ongoing update of facilities and equipment at all College campuses. This included £90,990 for 337 laptops donated by the Department for Education.

The Group has significant reliance on the Education and Skills Funding Agency (ESFA) for its principal funding sources, largely from recurrent grants. In 2020/2021 the ESFA provided 83.1% of the College's total income (£25,866k from total income of £31,122k). In total the College has accessed emergency funding from the ESFA of £5.4m and was able to repay £2.65m during the year to 31 July 2021 following the sales of the Future Technology Centre Warehouse and Sustainable Skills Centre for Manufacturing (SASMI). The remaining balance has been converted to a loan, with monthly repayments commencing during August 2021.

### **Treasury Policies and Objectives**

Treasury Management is the management of the Group's cash flow, 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 Group has a separate treasury management policy in place, the improving financial health of the College coupled with the financial support from the ESFA, payments to suppliers have returned during the year to be paid to agreed terms.

### **Cash flow**

At the year end, there was an operating inflow of cash of £6,514,000 (2019/20 outflow of £6,716,000). After investing and financing activities cash and cash equivalents increased by £6,869,000 during the year (2019/20 decrease of £2,856,000).

### **Liquidity**

During the year, the College received a further £0.3m in support funding from ESFA, taking the total emergency support funding from the ESFA to £5.4m. The College was able to repay £2.65m during the year following the sales of the Future Technology Centre Warehouse and Sustainable Skills Centre for Manufacturing (SASMI). The remaining balance has been converted to a loan, with monthly repayments having commenced August 2021.

There was no additional funding received from other external sources and loan repayments of £3,721,000 were made during the year. This included the full settlement of the Barclays variable rate loan following the sale of the Construction Centre Phase 2.

The College has borrowings of £8,147,000 at 31 July 2021 (2019/20 £14,215,000) including the ESFA support funding mentioned above. There are no borrowings within the subsidiary companies.

The College has one remaining loan from Barclays Bank at a fixed interest rate. This has been renegotiated with a variation to both the loan servicing costs and covenants. Day to day banking continues to be undertaken via Lloyds bank and there is no overdraft facility. Lloyds Bank also supply a credit card facility of £20,000, however this is secured by way of an ESCROW deposit of the same value.

### **Reserves Policy**

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures these are at an adequate level to support the College’s core activities.

As at the balance sheet date the Group Income and Expenditure reserve stands at £21,687,000, reducing to a negative position of £12,859,000 after taking into account Defined Benefit Obligations of £34,546,000 (2020: £14,586,000 reducing to (£25,162,000) after taking into account Defined Benefit Obligations of £39,748,000). The Defined Benefit Scheme liabilities decreased by £5.2m following the annual actuarial re-calculation, largely as a result of an improved return on scheme assets.

It is the Corporation’s intention to increase reserves of the Group over the life of the recovery plan through the generation of annual operating surpluses.

### **Group companies**

The College has two subsidiary companies that traded in the year being:

- North East Apprenticeship Company Ltd - engaging with local SME’s to create new work placement opportunities for apprentices.
- Gateshead Foundation - a charitable organisation established to provide support to students impacted by personal hardship.

With the exception of Gateshead Foundation, any surpluses generated by the above subsidiaries are transferred to the College under deed of covenant with the details being as follows:

	Gift aided to College	
	2021	2020
North East Apprenticeship Company Ltd	£29,247	£9,693
Zero Carbon Futures (UK) Ltd	£86,574	£19,924
Zero Carbon Futures (North) Ltd	£14,091	£0

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The Group has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect College assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

A strategic risk register is maintained and reviewed on an ongoing basis by the Executive Team and all Board committees with oversight of the College risk management framework being within the remit of the Audit Committee. The College risk register identifies the key risks, the likelihood of those risks occurring, their potential impact and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The main risk factors affecting the College are outlined below along with the action taken to minimise them. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Impact of the COVID-19 pandemic

The COVID-19 pandemic continues to provide a challenging and unpredictable backdrop to College activities. Impacts include disruption to teaching, learning and assessment, staff and student absence and the costs of implementing control measures required to maintain safe operation. The College has, at all times, implemented government advice and guidance, worked closely with local partners and communicated regularly with students, staff and stakeholders.

2. Failure to maintain positive cash flows, remain solvent and maintain financial stability

The financial position of the College has improved significantly during the year. A combination of cash generated from operations, the sale of properties and loan support from the ESFA have generated positive cash flows for the year of £6.9m. The College continues to work closely with the ESFA, both locally and with the Agency's Provider Market Oversight Team, the FE Commissioner and Barclays Bank. Cash flow is monitored rigorously and management accounts and cash flows are presented to the Board on a monthly basis. The management accounts include a projection of performance against loan covenants to provide early warning of potential breaches as well as facilitating mitigating action. The College is currently on target to deliver the operating surplus approved in the 2021/22 annual budget.

3. IT security and the risk of a cyber-attack that interrupts operations and has a financial impact.

The College is implementing the recommendations of a recent internal audit of IT security. It regularly updates operating systems, anti-virus and application software and has comprehensive policies and procedures in place covering the effective and safe use of IT by students and staff. All systems are regularly backed-up.

## **EQUALITY AND DIVERSITY**

### **Equality**

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. The College's Equality Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of employees without a disability.

The College is committed to supporting the mental health and wellbeing of staff. This is recognised by the College's pledge as a 'Time to Change' employer and maintaining the excellence level of the Better Health award. Training on equality, diversity and inclusion is undertaken by staff on an ongoing basis. Gateshead College believes that all forms of prejudice and discrimination are unacceptable. The College is committed to fulfilling all agreements, regulations, legislation and subsequent amendments required. 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.

### **Disability statement**

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, potential students and staff to have equal access to College services, thus ensuring

that none are treated less favourably than others. The College Disability Statement is on our website and sets out the services and facilities for people with disabilities.

### **Trade union facility time**

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College.

Numbers of employees who were relevant period	FTE employee number
4	4.0

Percentage of time	Number of employees
0%	0
1-50%	4
51-99%	0
100%	0

Total cost of facility time	£38,283
Total pay bill	£18,239,510
Percentage of total bill spent on facility time	0.21%

Time spent on paid trade union activities as a percentage of total paid facility time	24%
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### **GOING CONCERN**

The governors assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties relating to events or conditions that may cast significant doubt on the ability of the Corporation and Group to continue as a going concern. The Governors make this assessment in respect of a period of at least one year from the date of authorisation of the financial statements.

In order to support this assessment the College has updated its forecasts including cash flow projections for the period up to July 2023. The forecasts are based on actual enrolments in 2021/22 and, where appropriate, quantify their anticipated impact on funding allocations and costs in 2022/23. These projections have been shared with the ESFA and Barclays.

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, it continues to adopt the going concern basis in preparing the financial statements.

#### **EVENTS AFTER THE REPORTING PERIOD**

In August 2021, the College signed an agreement with the Tyne and Wear Pension Fund (TWPS) who manage the LGPS pension arrangements on behalf of the College. The agreement specifies that the College will make additional pension contributions during the period 1 August 2021 to 31 March 2023 to ensure that total annual employer contributions do not fall below a minimum amount of £1,650,000. As the scheme is accounted for as a defined benefit scheme this liability is outside the scope of FRS 102 section 21 provisions and contingencies and is instead considered under section 28.

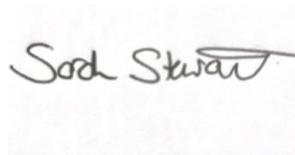
On 12 August 2021, the College signed a subsumption agreement with Tyne and Wear Pension Fund (TWPS), to transfer the LGPS net pension liability of Zero Carbon Futures (North) Limited valued at £242,020 to the College. This transfer was effective from the exit date of Zero Carbon Futures (North) Limited from the LGPS scheme on 31 October 2020, when the company ceased trading and had no active scheme members. These liabilities have been recalculated at 31 July 2021, on advice from the scheme actuary, at 0.06% of the College's net pension at that same date.

On 15 December 2021, the Board approved the revised terms of the Barclays loan. Interest is payable on the outstanding loan balance at 7.06% over the remaining term to 2034.

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

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 auditors are 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 auditors are aware of that information.

Approved by order of the members of the corporation on 15 December 2021 and signed on its behalf by:



Sarah Stewart

Chair

# Gateshead College

## Governance Statement

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 1<sup>st</sup> August 2020 to 31<sup>st</sup> July 2021 and up to the date of approval of the annual report and financial statements.

### GOVERNANCE CODE

The College endeavours to conduct its business:

1. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2. 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 the Charity Governance Code

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2021. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in February 2018.

## THE CORPORATION

### Members of 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.

<b>Appointee</b>	<b>Date of Appointment</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Attendance in 2020/21</b>
David Alexander	28/06/2021	Ex-officio		Principal and CEO	Curriculum and Quality Standards Committee Finance and General Purposes Committee Governance Committee People and Remuneration Committee	1/1 – 100%
Aneela Ali	14/02/2020	4 years		Governor	Audit Committee Curriculum and Quality Standards Committee	6/6 – 100%
Robin Bailes	27/01/2021	2 years		Staff	Finance and General Purposes Committee	4/4 – 100%
David Brind	23/12/2020	4 years		Governor	Finance and General Purposes Committee	3/4 – 75%
Andy Cole	24/02/2020	Ex-officio	27/06/2021	Interim Principal	Curriculum and Quality Standards Committee	5/5 – 100%

<b>Appointee</b>	<b>Date of Appointment</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Attendance in 2020/21</b>
					Finance and General Purposes Committee Governance Committee People and Remuneration Committee	
Lisa Crichton-Jones	01/08/2021	4 years		Governor	People and Remuneration Committee	N/A
Carol Davenport	23/12/2020	4 years		Governor	Curriculum and Quality Standards Committee	3/4 – 75%
Roux Diablo	15/12/2021	1 year		Student		0/0
Gareth Edmunds	01/08/2021	4 years		Governor	Finance and General Purposes Committee	N/A
Simon Ennew – teaching staff governor	27/04/2020	2 years		Staff		2/6 – 33%
Martin Gannon	Appointed May 2018	4 years		Governor	Governance Committee	2/6 – 33%
Martin Hedley	26/03/2020	4 years		Governor	Chair - Finance and General Purposes Committee	6/6 – 100%
John Hogg	22/01/2020 Interim Chair to Dec 2020	4 years	26/04/2021	Governor	Finance and General Purposes Committee	4/5 – 80%

<b>Appointee</b>	<b>Date of Appointment</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Attendance in 2020/21</b>
					Governance Committee People and Remuneration Committee	
Andrew Lorimer	Appointed October 2018	4 years	07/10/2020	Governor		N/A
Sarah McBean – student governor	26/05/2020	1 year	May 2021	Student	Curriculum and Quality Standards Committee	2/5 – 40%
Chris Macklin	Reappointed December 2016	4 years	April 2021	Governor	Chair – Audit Committee until April 2021	5/5 – 100%
David Mitchell	Reappointed October 2017	4 years		Governor	Chair – Curriculum and Quality Standards Committee	6/6 – 100%
Georgina Moroney – student governor	26/05/2020	1 year	May 2021	Student		2/5 – 40%
Claire-Jane Rewcastle	Appointed October 2018	4 years		Governor	Chair – People and Remuneration Committee Governance Committee	6/6 – 100%
Sarah Stewart	Appointed October 2018 – appointed as Chair December 2020	4 years		Governor	Chair – Governance Committee Curriculum and Quality Standards Committee	6/6 – 100%

<b>Appointee</b>	<b>Date of Appointment</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Attendance in 2020/21</b>
					People and Remuneration Committee	
Sara Vening	December 2020	4 years	October 2021	Governor	Audit Committee	2/4 – 50%
Michael Wood-Williams	January 2021	4 years		Governor	Chair – Audit Committee with effect from April 2021  Governance Committee	4/4 – 100%

### **The governance framework**

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

The corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The corporation meets half-termly. This schedule of regular meetings ensured that the full Board had oversight of progress against an action plan designed to continue to execute the College's financial recovery.

The corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the corporation, reviewed and revised, and a revised committee structure subsequently adopted by the Board on 2 October 2020. These committees are: Curriculum and Quality Standards, Finance and General Purposes, Audit, People and Remuneration and Governance. Minutes of meetings are available on the College's website or from the clerk to the corporation at the College's address:

Gateshead College  
Baltic Campus  
Quarryfield Road  
Gateshead  
NE8 3BE

The corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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 governing body as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Otherwise, briefings are provided on an ad hoc basis and Governor approval to matters by email is obtained for urgent decision making between meetings.

The corporation has strong and independent non-executive members 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 and Accounting Officer are separate.

### **Appointments to the corporation**

Any new member appointments to the corporation are a matter for the consideration of the corporation. During the year, six new independent governors, a new Principal and a support staff governor were appointed.

During the year, the corporation re-formed a governance committee, which is responsible for the selection and nomination of any new member for the corporation's consideration, board development, training and effectiveness etc. The corporation is responsible for ensuring that all governors understand their legal duties and responsibilities and the clerk delivers training on this.

The Instrument and Articles of Government were amended on October 2 2020 and Members of the corporation are now appointed for a term of office not exceeding four years and can be reappointed for a further four year term. Re-appointments thereafter now only take place in exceptional circumstances.

### **Corporation performance**

Towards the end of 2020, the ETF undertook an external Board capability review; one of the conditions of the FE Commissioners recommendation that the College remain standalone. This resulted in a report which contained some recommendations, all of which were accepted by the Board and taken forward through an action planner (in turn overseen by the Governance Committee).

Board self-assessment for the next year was commenced in June 2021 and progressed over the summer. The results of this were reported to the November 2021 Governance Committee.

## Remuneration Committee

The People and Remuneration Committee discharge certain functions on behalf of the Board, including the review of performance of, and the remuneration proposals for, senior post-holders.

## Audit Committee

The Audit Committee comprises two members of the corporation (excluding the Accounting Officer and Chair) and a co-optee. During the year, the long-standing chair of the committee retired and a new chair was appointed. The Committee operates in accordance with written terms of reference approved by the corporation. These were revised in the autumn of 2020 and amended during the year to make specific reference to health and safety.

The Audit Committee met five times during the year and provides a forum for reporting by the College's internal auditors, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion without the presence of College management. The Committee also oversees the operation of the College's risk management framework. The members of the Committee and their attendance records are shown below:

<b>Appointee</b>	<b>Attendance in 2020/21</b>
Christopher Macklin – Chair (until April 2021)	4/4 - 100%
Neil Weddle (co-opted)	5/5 - 100%
Aneela Ali	4/5 - 80%
Michael Wood Williams (from January 2021, Chair from June 2021)	2/3 – 67%

The Audit Committee has also completed tender processes for internal and external audit. Recommendations to the Board resulted in Mazars being appointed external auditors (taking over from RSM) and Wylie & Bissett as internal auditors (taking over from PWC).

The 2019/20 financial statements were approved by the Board in March 2021, having received an extension to the filing deadline from the ESFA.

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. During the year, they looked at a number of core corporate controls and systems and also undertook the ESFA sub-contracting audit.

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

## **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/CEO, 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreements with the between the College and the funding bodies. He 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 Gateshead College for the year ended 31 July 2021 and up to the date of approval of the annual report and financial statements

### **Capacity to handle risk**

The corporation has reviewed the key College risks 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 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the corporation.

During the course of 2021/22 the governing body will receive training on risk management, reassess its risk appetite and review and update its risk management policy. The governing body will also continue to refine its approach to risk oversight and management.

## **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 ESFA's *Post 16 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 usually based on this analysis. The analysis of risks and the internal audit plans are then endorsed by the corporation on the recommendation of the Audit Committee. The internal auditors provide the governing body with a report on internal audit activity in the College and their findings relating to the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

## **Control weaknesses identified**

There were no critical weaknesses identified in the College's systems arising from the specific reviews undertaken by PwC during the year.

## **Statement from the audit committee**

The Audit Committee has advised the Board that the Corporation has an effective framework for governance and risk management in place. The Audit Committee believes the Corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit Committee in 2020/21 and up to the date of the approval of the financial statements are:

- Key Financial Controls
- Business Development: Risk Management
- IT Security
- Learner Numbers
- Subcontractors: Record-keeping and Safeguarding
- Student Admissions
- Follow-up of previous recommendations

The reports made a total of 25 recommendations of which six were categorised as high, 11 as medium and eight as low. A rolling audit action implementation plan is in place to ensure that all recommendations have been or will be implemented.

## Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His 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 in their management letters and other reports.

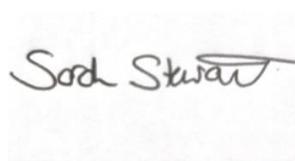
The Accounting Officer has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, 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 December 2021 meeting, the corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2021.

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

**Approved by order of the members of the Corporation on 15 December 2021 and signed on its behalf by:**



Sarah Stewart  
Chair



David Alexander  
Accounting Officer

# Gateshead College

## Statement of Regularity, Propriety and Compliance

The corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the corporation's grant funding agreement and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

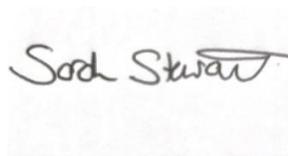
We confirm on behalf of the corporation that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the terms and conditions of funding, under the corporation's grant funding agreements and contracts with the ESFA, or any other public funder.

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 ESFA.



David Alexander  
Accounting Officer

Date: 15 December 2021



Sarah Stewart  
Chair of Governors

Date: 15 December 2021

# Gateshead College

## Statement of Responsibilities of the Members of the Corporation

The members of the corporation, as charity trustees, are required to present audited financial statements for each financial year.

Within the terms and conditions of the corporation's grant funding agreements and contracts with ESFA, the corporation – through its Accounting Officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the corporation and its surplus / deficit of income over expenditure for that period.

In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- 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 information about the legal and administrative status of the corporation.

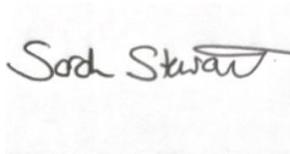
The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

The corporation is responsible for the maintenance and integrity of the its website; the work carried out by 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.

The corporation is 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 ESFA and

any other public funds are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any other public funder. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economical, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the members of the corporation on 15 December 2021 and signed on its behalf by:

A handwritten signature in black ink that reads "Sarah Stewart". The signature is written in a cursive style with a long horizontal stroke at the end of the word "Stewart".

Sarah Stewart  
Chair of Governors

# Gateshead College

## Independent Auditors' Report to the Corporation of Gateshead College

### Opinion

We have audited the financial statements of Gateshead College (the 'College') and its subsidiaries the ('Group') for the year ended 31 July 2021 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2021 and of its deficit of expenditure over income for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Members of the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Members of the Corporation with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Corporation is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

#### **Opinion on other matters prescribed in the OfS Audit Code of Practice issued under the Further and Higher Education Act 1992**

In our opinion, in all material respects:

- funds provided by the OfS and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions attached to them; and
- the requirements of OfS's accounts direction have been met.

We have nothing to report in respect of the following matters where the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; or
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of Corporation**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 29, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the College and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the ESFA, OFS, UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements.

We evaluated the Members of the Corporation and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Members of the Corporation and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the College which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Members of the Corporation and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities) This description forms part of our auditor's report.

### **Other required reporting**

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the OfS Audit Code of Practice requires us to report to you if, in our opinion:

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated; or
- the provider's expenditure on access and participation activities, as disclosed in the financial statements, has been materially misstated.

#### **Use of the audit report**

This report is made solely to the Corporation as a body in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required 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 College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

**MAZARS LLP**

Chartered Accountants and Statutory Auditor

The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

Date 17 December 2021

# **Gateshead College**

## **Independent Reporting Accountants' Report on Regularity to the Corporation of Gateshead College and the Secretary of State for Education acting through Education and Skills Funding Agency**

In accordance with the terms of our engagement letter dated 21 July 2021 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Gateshead College during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the corporation of Gateshead College and the ESFA 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 ESFA 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 ESFA 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 requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that 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 Code. 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 2020 to 31 July 2021 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 Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework. 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 corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA/funding agreement with the ESFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

## 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 2020 to 31 July 2021 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

*Mazars LLP*

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### MAZARS LLP

The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF  
Date: 17 December 2021

# Gateshead College

## Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2021		Year ended (restated) 31 July 2020	
		Group £'000	College £'000	Group £'000	College £'000
<b>INCOME</b>					
Funding body grants	2	26,030	26,030	25,445	25,338
Tuition fees and education contracts	3	2,270	1,997	3,027	2,680
Other grants and contracts	4	1,998	1,965	1,411	1,377
Other income	5	823	797	1,477	1,264
Donations and Endowments	6	-	130	-	-
<b>Total income</b>		<b>31,121</b>	<b>30,919</b>	<b>31,360</b>	<b>30,659</b>
<b>EXPENDITURE</b>					
Staff costs	7	18,240	17,950	23,120	22,249
Restructuring costs	7	195	195	2,122	2,072
Other operating expenses	8	9,177	9,231	11,219	11,077
Depreciation	11	2,311	2,311	2,662	2,574
Impairment	11	1,020	1,020	-	-
Interest and other finance costs	9	887	904	731	753
<b>Total expenditure</b>		<b>31,830</b>	<b>31,611</b>	<b>39,854</b>	<b>38,725</b>
<b>(Deficit)/surplus before other gains and losses</b>		<b>(709)</b>	<b>(692)</b>	<b>(8,494)</b>	<b>(8,066)</b>
Gain on disposal of assets	11	5,823	5,823	-	-
Gain / (Loss) on Investments		-	(241)	-	-
<b>Surplus/(Deficit) before tax</b>		<b>5,114</b>	<b>4,890</b>	<b>(8,494)</b>	<b>(8,066)</b>
Taxation	10	-	-	-	-
<b>Surplus/(Deficit) for the year</b>		<b>5,114</b>	<b>4,890</b>	<b>(8,494)</b>	<b>(8,066)</b>
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial gain in respect of pensions schemes	23	7,286	6,928	(19,755)	(19,397)
<b>Total Comprehensive Income for the year</b>		<b>12,400</b>	<b>11,818</b>	<b>(28,249)</b>	<b>(27,463)</b>
<b>Represented by:</b>					
<b>Restricted comprehensive income</b>		-	-	-	-
<b>Unrestricted comprehensive income</b>		<b>12,400</b>	<b>11,818</b>	<b>(28,249)</b>	<b>(27,463)</b>
		<b>12,400</b>	<b>11,818</b>	<b>(28,249)</b>	<b>(27,463)</b>
<b>Surplus for the year attributable to:</b>					
Non-controlling interest		-	-	-	-
Group		<b>5,114</b>	<b>4,890</b>	<b>(8,494)</b>	<b>(8,066)</b>
<b>Total Comprehensive Income for the year</b>					
Non-controlling interest		-	-	-	-
Group		<b>12,400</b>	<b>11,818</b>	<b>(28,249)</b>	<b>(27,463)</b>

All items of income and expenditure relate to continuing activities.

# Gateshead College

## Consolidated and College Statement of Changes in Reserves

	Income and expenditure account £'000	Total £'000
<b>Group</b>		
<b>Balance at 1 August 2019</b>	3,087	3,087
Surplus/(deficit) from the income and expenditure account	(8,494)	(8,494)
Other comprehensive income	(19,755)	(19,755)
Transfers between revaluation and income and expenditure reserves	-	
	<u>(28,249)</u>	<u>(28,249)</u>
<b>Balance at 31 July 2020</b>	(25,162)	(25,162)
Surplus/(deficit) from the income and expenditure account	5,114	5,114
Other comprehensive income	7,286	7,286
Adjustment for former subsidiary excluded from consolidation	(97)	(97)
<b>Total comprehensive income</b>	<u>12,303</u>	<u>12,303</u>
<b>Balance at 31 July 2021</b>	<u>(12,859)</u>	<u>(12,859)</u>
<b>College</b>		
<b>Balance at 1 August 2019</b>	1,613	1,613
Surplus/(deficit) from the income and expenditure account	(8,066)	(8,066)
Other comprehensive income	(19,397)	(19,397)
Transfers between revaluation and income and expenditure reserves	-	-
	<u>(27,463)</u>	<u>(27,463)</u>
<b>Balance at 31 July 2020</b>	(25,850)	(25,850)
Surplus/(deficit) from the income and expenditure account	4,890	4,890
Other comprehensive income	6,928	6,928
Transfers between revaluation and income and expenditure reserves	-	-
<b>Total comprehensive income</b>	<u>11,818</u>	<u>11,818</u>
<b>Balance at 31 July 2021</b>	<u>(14,032)</u>	<u>(14,032)</u>

# Gateshead College

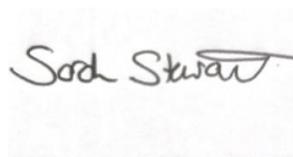
## Balance sheets as at 31 July 2021

	Notes	Group 2021 £'000	College 2021 £'000	(Restated) Group 2020 £'000	College 2020 £'000
<b>Non-current assets</b>					
Tangible Fixed assets	11	44,225	44,225	54,042	54,042
		<b>44,225</b>	<b>44,225</b>	<b>54,042</b>	<b>54,042</b>
<b>Current assets</b>					
Stocks		4	4	68	68
Trade and other receivables	13	1,486	1,460	2,409	2,586
Investments		-	-	-	-
Cash and cash equivalents	18	7,908	7,776	1,039	629
		<b>9,398</b>	<b>9,240</b>	<b>3,516</b>	<b>3,283</b>
<b>Creditors – amounts falling due within one year</b>	14	(6,559)	(6,622)	(19,159)	(18,867)
<b>Net current assets / (liabilities)</b>		<b>2,839</b>	<b>2,618</b>	<b>(15,643)</b>	<b>(15,584)</b>
<b>Total assets less current liabilities</b>		<b>47,064</b>	<b>46,843</b>	<b>38,399</b>	<b>38,458</b>
Creditors – amounts falling due after more than one year	15	(24,727)	(25,679)	(23,221)	(24,326)
<b>Provisions</b>					
Defined benefit obligations	17	(34,546)	(34,546)	(39,748)	(39,390)
Other provisions	17	(650)	(650)	(592)	(592)
<b>Total net liabilities</b>		<b>(12,859)</b>	<b>(14,032)</b>	<b>(25,162)</b>	<b>(25,850)</b>
<b>Unrestricted Reserves</b>					
Income and expenditure account		(12,859)	(14,032)	(25,162)	(25,850)
Revaluation reserve		-	-	-	-
<b>Total unrestricted reserves</b>		<b>(12,859)</b>	<b>(14,032)</b>	<b>(25,162)</b>	<b>(25,850)</b>
<b>Total reserves</b>		<b>(12,859)</b>	<b>(14,032)</b>	<b>(25,162)</b>	<b>(25,850)</b>

The financial statements on pages 38 to 73 were approved and authorised for issue by the corporation on 15 December 2021 and were signed on its behalf on that date by:

Sarah Stewart

David Alexander




Chair of Governors

Accounting Officer

# Gateshead College

## Consolidated Statement of Cash Flows

	Notes	2021 £'000	2020 £'000
<b>Cash flow from operating activities</b>			
Surplus/(Deficit) for the year		5,114	(8,494)
<b>Adjustment for non-cash items</b>			
Depreciation	11	2,311	2,662
Impairment	11	1,020	-
(Increase)/decrease in stocks		64	-
(Increase)/decrease in debtors	13	923	2,041
Increase/(decrease) in creditors due within one year	14	842	(4,975)
Increase/(decrease) in creditors due after one year	15	-	(1,039)
Increase/(decrease) in provisions	17	58	28
Pensions costs less contributions payable	23	1,680	2,690
<b>Adjustment for investing or financing activities</b>			
Investment income		-	-
Interest payable	9	325	371
Taxation paid		-	-
Gain on sale of fixed assets	11	(5,823)	-
<b>Net cash flow from operating activities</b>		<u>6,514</u>	<u>(6,716)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		7,497	-
Capital Grants Received / (Released / Repaid)		(275)	123
Investment income		-	-
Withdrawal of deposits		-	-
New deposits		-	-
Payments made to acquire fixed assets	11	(474)	(478)
		<u>6,748</u>	<u>(355)</u>
<b>Cash flows from financing activities</b>			
Interest paid	9	(325)	(371)
Interest element of finance lease rental payments		-	-
New unsecured loans	15	303	5,105
Repayments of amounts borrowed	16	(6,371)	(519)
Capital element of finance lease rental payments		-	-
		<u>(6,393)</u>	<u>4,215</u>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<u><b>6,869</b></u>	<u><b>(2,856)</b></u>
Cash and cash equivalents at beginning of the year		1,039	3,895
Cash and cash equivalents at end of the year		7,908	1,039

# Gateshead College

## Notes to the Accounts

### 1. Statement of accounting policies and estimation techniques

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 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2020 to 2021 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.

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

#### 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 (North) Limited and Gateshead Sport Management (Malaysia) SDN.BHD controlled by the Group.

Amacus Ltd and Gateshead Sports Management (Malaysia) SDN BHD did not trade during the period.

Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation.

## **Going concern**

The activities of the college, together with the factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of the college, its cash flow, liquidity and borrowings are presented in the financial statements and accompanying notes.

At the balance sheet date the College had £5.389m of loans outstanding with Barclays Bank and a further £2.758m with the ESFA. The Barclays loan is repayable in instalments by 2034 and the ESFA loan by 2025. Prior to authorising the financial statements the College has updated its forecasts including cash flow projections for the period up to July 2023. The forecasts are based on actual enrolments in 2021/22 and, where appropriate, quantify their anticipated impact on funding allocations and costs in 2022/23. These forecasts and projections indicate that the College will be able to operate within the existing facilities and covenants for the foreseeable future.

Accordingly, 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**

### *Revenue grant funding*

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 from devolved authorities are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. 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 funding is not subject to reconciliation and is therefore not subject to contract adjustments.

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

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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.

### *Capital grant funding*

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

#### *Fee income*

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.

#### *Investment income*

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.

### **Agency arrangements**

The College acts as an agent in the collection and payment of certain discretionary support funds and any other arrangements. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

### **Accounting for post-employment benefits**

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

#### *Teachers' Pension Scheme (TPS)*

The TPS is an unfunded scheme. 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 qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### *Tyne & Wear Local Government Pension Scheme (LGPS)*

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at 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 the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial 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 ongoing pension to a former member of staff is paid by a College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet.

### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

#### *Land and buildings*

Freehold buildings are depreciated on a straight-line basis over their expected useful lives as follows:

- Original cost 15-50 years
- Refurbishments 2-50 years

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the College of between 15 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 2 and 50 years.

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.

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

#### *Assets under construction*

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use. There were no assets under construction as at 31 July 2021.

#### *Subsequent expenditure on existing fixed assets*

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

#### *Equipment*

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- equipment 2-10 years
- motor vehicles 4 years
- computer equipment 2-5 years
- furniture, fixtures and fittings 10-50 years

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

#### **Borrowing costs**

Borrowing costs are recognised as expenditure in the period in which they are incurred.

#### **Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1<sup>st</sup> August 2014 are spread over the minimum lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases. The College has no assets held under finance leases.

## **Investments**

### *Investments in subsidiaries*

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

## **Inventories**

Inventories are stated at the lower of their cost (using the first in first out method) and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

## **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 College 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**

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

## **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the 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 is partially exempt in respect of Value Added Tax, so that it can only recover around 1.23% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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.

### **Judgements in applying accounting policies and key sources of estimation uncertainty**

#### *Judgements in applying accounting policies*

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. 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.

#### *Other key sources of estimation uncertainty*

- 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.

- During the year the College received laptops from the Department for Education to support disadvantaged learners in accessing remote learning. In applying the guidance contained in the ESFA's *Supplementary Bulletin to the College Accounts Direction 2020-21*, the College has determined that the devices should be classed as fixed assets and capitalised at a value commensurate with the specification of the machines. They will be depreciated in line with the College's depreciation policy.
- 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 20, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants	Y/end 31 July 2021		Y/end 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency – Adult Education Budget	4,888	4,888	6,030	5,956
Education and Skills Funding Agency – Apprenticeships	3,966	3,966	4,753	4,720
Devolved Authorities – Adult Education Budget	2,219	2,219	1,538	1,538
Education and Skills Funding Agency – 16 - 16-19 classroom based	12,901	12,901	11,471	11,471
Office for students	164	164	247	247
<b>Specific grants</b>				
Education and Skills Funding Agency – European Funds	-	-	(19)	(19)
Teacher Pension Scheme contribution	562	562	502	502
Education and Skills Funding Agency – Other Grants *	820	820	356	356
Releases of government capital grants	510	510	567	567
HE grant	-	-	-	-
<b>Total</b>	<b>26,030</b>	<b>26,030</b>	<b>25,445</b>	<b>25,338</b>

\* Education and Skills Funding Agency – Other Grants includes the following Covid-19 response funding: 16-19 Covid Tuition Fund £214k (2020: £0), Covid Testing Funding £55k (2020: £0) and 16-19 High Value Courses premium £52k.

3 Tuition fees and education contracts	Y/end 31 July 2021		Y/end 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	97	97	172	172
Apprenticeship contracts	182	182	391	391
Fees for FE loan supported courses	668	668	755	755
Fees for HE loan supported courses	726	726	771	771
<b>Total tuition fees</b>	<b>1,673</b>	<b>1,673</b>	<b>2,089</b>	<b>2,089</b>
Education contracts	597	324	938	591
<b>Total</b>	<b>2,270</b>	<b>1,997</b>	<b>3,027</b>	<b>2,680</b>

4 Other grants and contracts	Y/end 31 July		Y/end 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grant income	549	530	604	597
Non-government capital grants	1,374	1,375	523	523
Coronavirus Job Retention Scheme grant	75	60	284	257
<b>Total</b>	<b>1,998</b>	<b>1,965</b>	<b>1,411</b>	<b>1,377</b>

The corporation furloughed 73 member of staff including curriculum support roles, library staff, cleaning and security staff under the government's Coronavirus Job Retention Scheme. The funding received of £75k relates to an element of the actual staff costs incurred which are included within the staff costs note below as appropriate. The College paid the furloughed staff in full in order that they were not financially disadvantaged.

5 Other income	Y/end 31 July		Y/end 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	11	11	65	65
Other income generating activities	122	122	458	243
Miscellaneous income	690	664	954	956
<b>Total</b>	<b>823</b>	<b>797</b>	<b>1,477</b>	<b>1,264</b>

6 Donations – College only	Year end	Year ended
	31 July	31 July
	2021	2020
	£'000	£'000
Unrestricted donations	130	-
<b>Total</b>	<b>130</b>	<b>-</b>

The unrestricted donations relate to Gift Aid donations to the College from the wholly owned Subsidiary Companies.

## 7 Staff costs – Group and College

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

	<b>2021</b>	<b>2020</b>
FTE	<b>No.</b>	<b>No.</b>
Teaching staff	225	278
Non-teaching staff	207	249
	<u><b>432</b></u>	<u><b>527</b></u>

	<b>2021</b>	<b>2020</b>
Headcount	<b>No.</b>	<b>No.</b>
Teaching staff	278	347
Non-teaching staff	264	303
	<u><b>542</b></u>	<u><b>650</b></u>

### Staff costs - Group

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	12,848	16,156
Social security costs	1,175	1,555
Other pension costs	4,217	5,409

### Payroll sub total

Contracted out staffing services	-	-
	<u><b>18,240</b></u>	<u><b>23,120</b></u>

	<b>18,240</b>	<b>23,120</b>
Restructuring costs – Contractual	195	2,122
- Non contractual	-	-
	<u><b>18,435</b></u>	<u><b>25,242</b></u>

### Total Staff costs - Group

	<u><b>18,435</b></u>	<u><b>25,242</b></u>
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## 7 Staff costs – Group and College (continued)

### Staff costs - College

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	12,568	15,381
Social security costs	1,173	1,499
Other pension costs	4,209	5,369
	<hr/>	<hr/>
<b>Payroll sub total</b>	<b>17,950</b>	<b>22,249</b>
Contracted out staffing services	-	-
	<hr/>	<hr/>
	<b>17,950</b>	<b>22,249</b>
Restructuring costs – Contractual	195	2,072
- Non contractual	-	-
	<hr/>	<hr/>
<b>Total Staff costs - College</b>	<b>18,145</b>	<b>24,321</b>
	<hr/> <hr/>	<hr/> <hr/>

The corporation does have salary sacrifice arrangements in place, which include Childcare Vouchers and Cycle-to-Work schemes.

### 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 Deputy Principals responsible for Finance and Curriculum, and Directors of Service for Business Development 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

	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel including the Accounting Officer was:	6	8
	<hr/>	<hr/>

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

## 7 Staff costs – Group and College (continued)

	Key management personnel		Other staff	
	2021	2020	2021	2020
£10,001 to £15,000 p.a.	1	-	-	-
£60,001 to £65,000 p.a.	1	-	3	6
£65,001 to £70,000 p.a.	-	1	2	-
£80,001 to £85,000 p.a.	2	-	-	-
£90,001 to £95,000 p.a.	-	1	-	-
£95,001 to £100,000 p.a.	1	-	-	-
£100,001 to £105,000 p.a.	-	1	-	-
£115,001 to £120,000 p.a.	-	1	-	-
£120,001 to £125,000 p.a.	-	1	-	-
£125,001 to £130,000 p.a.	-	1	-	-
£145,001 to £150,000 p.a.	-	1	-	-
£150,001 to £155,000 p.a.	1	-	-	-
£165,001 to £170,000 p.a.	-	1	-	-
	<u>6</u>	<u>8</u>	<u>5</u>	<u>6</u>

Key management personnel compensation is made up as follows:

	2021 £'000	2020 £'000
Basic salary	497	841
Performance related pay and bonus	-	103
Benefits in kind	-	-
Pension contributions	105	129
Total key management personnel compensation	<u>602</u>	<u>1,073</u>

The above compensation includes amounts paid to the Principal and Chief Executive who is the Accounting Officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	2021 £'000	2020 £'000
<b>Principal 1 (left 31 Dec 2019)</b>		
Basic salary	-	126
Performance related pay and bonus	-	42
Other including benefits in kind	-	-
Pension Contributions	-	-
Total – Principal 1	<u>-</u>	<u>168</u>

## 7 Staff costs – Group and College (continued)

### Principal 2 (commenced 24 Feb 2020, left 31 Aug 2021)

Basic salary	152	66
Performance related pay and bonus	-	-
Other including benefits in kind	-	-
Pension contributions	36	16
Total – Principal 2	<u>188</u>	<u>82</u>

### Principal 3 (commenced 28 Jun 2021)

Basic salary	14	-
Performance related pay and bonus	-	-
Other including benefits in kind	-	-
Pension contributions	3	-
Total – Principal 3	<u>17</u>	<u>-</u>
Overall Total	<u>205</u>	<u>250</u>

The governing body adopted AoC's Senior Staff Remuneration Code in July 2019 and assesses pay in line with its principles.

The remuneration package of key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

### Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

	2021 £'000	2020 £'000
Principal's basic salary as a multiple of the median of all staff	5.6	6.3
Principal and CEO's total remuneration as a multiple of the median of all staff	5.6	6.8

### Compensation for loss of office paid to former key management personnel

	2021 £	2020 £
Compensation paid to the former post-holder	-	65,891
Estimated value of other benefits, including provisions for pension benefits	-	-

The severance payment in 2020 was approved by the Corporation. The members of the corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

## 8 Other operating expenses

	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Teaching costs	4,442	4,497	5,497	5,487
Non-teaching costs	3,115	3,116	3,689	3,542
Premises costs	1,620	1,618	2,033	2,048
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>9,177</b>	<b>9,231</b>	<b>11,219</b>	<b>11,077</b>

<b>Other operating expenses include:</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit*	76	51
Other services provided by the financial statements auditor (grant audits and taxation services)	15	7
Internal audit fees**	67	35
Other services provided by the internal auditors	12	6
Losses on disposal of non-current assets	-	-
Losses on disposal of investments	-	-
Depreciation	2,311	2,662
Hire of assets under operating leases	-	97
Payments to Subcontractors	1,885	3,011
Office for Students Access & Participation:		
Access Investment	12	-
Financial Support to Students	2	8
Disability Support	-	-
Research & Evaluation	-	-
	<hr/>	<hr/>

\* includes £72,619 in respect of the College (2020: £40,840)

\*\* includes £66,620 in respect of the College (2020: £35,000)

## 9 Interest and other finance costs – Group

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans:	327	371
On intercompany loans:	-	-
	<hr/> 327	<hr/> 371
On finance leases	-	-
Net interest on defined pension liability (note 22)	560	360
	<hr/> 560	<hr/> 360
<b>Total</b>	<b><hr/>887</b>	<b><hr/>731</b>

## 9 Interest and other finance costs – College

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans:	327	371
On intercompany loans:	17	22
	<hr/> 344	<hr/> 393
On finance leases	-	-
Net interest on defined pension liability (note 22)	560	360
	<hr/> 560	<hr/> 360
<b>Total</b>	<b><hr/>904</b>	<b><hr/>753</b>

## 10 Taxation – Group only

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom corporation tax	-	-
Provision for deferred corporation tax	-	-
	<hr/> -	<hr/> -
<b>Total</b>	<b><hr/>-</b>	<b><hr/>-</b>

The members do not believe that the college was liable for any corporation tax arising out of its activities during either year.

## 11 Tangible Fixed Assets (Group)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2020	68,725	6,729	14,259	89,713
Additions	1	-	475	476
Re-categorisation	(2,429)	2,429	-	-
Disposals	(15,296)	(559)	(1,111)	(16,966)
<b>At 31 July 2021</b>	<b>51,001</b>	<b>8,599</b>	<b>13,623</b>	<b>73,223</b>
<b>Depreciation</b>				
At 1 August 2020	23,261	2,651	9,759	35,671
Charge for the year	1,238	340	733	2,311
Re-categorisation	(1,271)	1,271	-	-
Disposals	(9,123)	(49)	(832)	(10,004)
Impairment	-	1,020	-	1,020
<b>At 31 July 2021</b>	<b>14,105</b>	<b>5,233</b>	<b>9,660</b>	<b>28,998</b>
<b>Net book value at 31 July 2021</b>	<b>36,896</b>	<b>3,366</b>	<b>3,963</b>	<b>44,225</b>
Net book value at 31 July 2020	45,464	4,078	4,500	54,042

## 11 Tangible Fixed Assets (College)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2020	68,726	6,729	13,734	89,189
Additions	1	-	475	476
Re-categorisation	(2,429)	2,429	-	-
Disposals	(15,296)	(559)	(1,111)	(16,966)
<b>At 31 July 2021</b>	<b>51,002</b>	<b>8,599</b>	<b>13,098</b>	<b>72,699</b>
<b>Depreciation</b>				
At 1 August 2020	23,262	2,651	9,234	35,147
Charge for the year	1,238	340	733	2,311
Re-categorisation	(1,271)	1,271	-	-
Disposals	(9,123)	(49)	(832)	(10,004)
Impairment	-	1,020	-	1,020
<b>At 31 July 2021</b>	<b>14,106</b>	<b>5,233</b>	<b>9,135</b>	<b>28,474</b>
<b>Net book value at 31 July 2021</b>	<b>36,896</b>	<b>3,366</b>	<b>3,963</b>	<b>44,225</b>
Net book value at 31 July 2020	45,464	4,078	4,500	54,042

During the year the College received 337 laptops from the Department for Education to support disadvantaged learners in accessing remote learning. In applying the guidance contained in the ESFA's *Supplementary Bulletin to the College Accounts Direction 2020-21*, the College has determined that the devices should be classed as fixed assets and capitalised at a value commensurate with the specification of the machines. They will be depreciated in line with the College's depreciation policy.

## **12 Non-current investments**

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, the company ceased trading during the year to 31 July 2020.

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 2020, Gateshead College was unable to gift any funds to the Foundation, to act as capital for its future charitable activities. The Corporation had previously approved an annual donation of 1% of its surplus, where it is in excess of 3% turnover, in 2020/21 this was not achieved preventing an annual donation.

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. The company was sold to a third party on 1 November 2020.

Zero Carbon Futures (North) Limited was incorporated on 17th November 2011. The company's 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. The company's activities were transferred to a third party on 1 November 2020 and the company is now dormant.

On the 15th May 2014 Gateshead College set up a company based in Malaysia called Gateshead Sport Management (Malaysia) SDN.BHD. The company did not trade in the year and is in the process of being wound up.

### 13 Trade and other receivables

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:				
Trade receivables	344	303	475	415
Amounts owed by group undertakings:				
Subsidiary undertakings	-	15	-	256
Prepayments and accrued income	615	615	1,236	1,217
Amounts owed by the ESFA	374	374	292	292
Other Debtors *	153	153	406	406
<b>Total</b>	<b><u>1,486</u></b>	<b><u>1,460</u></b>	<b><u>2,409</u></b>	<b><u>2,586</u></b>

\* Other Debtors includes Debtor > 1 Year of £0 (2020: £132,000): VAT to be reclaimed from HMRC relating to Capital Goods Scheme.

### 14 Creditors: amounts falling due within one year

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	302	302	9,110	9,110
Trade payables	1,042	1,042	982	980
Amounts owed to group undertakings:				
Subsidiary undertakings	-	74	-	187
Other taxation and social security	313	311	738	681
Accruals and deferred income	1,241	1,231	966	940
Deferred income - government capital grants	743	743	1,032	1,032
ESFA Loan	760	760	5,105	5,105
Amounts owed to the ESFA	1,429	1,429	448	448
Other Creditors	729	729	778	384
<b>Total</b>	<b><u>6,559</u></b>	<b><u>6,622</u></b>	<b><u>19,159</u></b>	<b><u>18,867</u></b>

## 15 Creditors: amounts falling due after one year

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank Loans	5,087	5,087	-	-
ESFA Loan *	1,998	1,998	-	-
Amounts owed to group undertakings **	-	952	-	1,105
Deferred income - government capital	17,642	17,642	23,221	23,221
<b>Total</b>	<b><u>24,727</u></b>	<b><u>25,679</u></b>	<b><u>23,221</u></b>	<b><u>24,326</u></b>

The bank loan is repayable in instalments by 2034 under an agreement originally signed in 2006. On 15 December 2021 the Board approved an Amendment and Restatement Agreement with the Bank that increased the margin on the fixed rate of borrowing so that the overall rate of interest on outstanding debt increases from 5.49% to 7.06%. The loan is secured by first and second legal charges over various property assets.

\* Under an agreement with the Education & Skills Funding Agency (ESFA) the College has converted grant support payments totalling £4.3m into a loan, repayable by 18 November 2025. Interest on the outstanding loan will be charged at PWLB standard rate. The loan is secured by first and second legal charges over various property assets.

\*\* The College has an agreement with the Gateshead College Foundation, to repay an outstanding loan over a period of 15 years. Interest on the outstanding loan will be charged at 1.50% above the Barclays Bank Base rate. The loan is unsecured.

## 16 Maturity of debt

### Bank Loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	302	302	9,110	9,110
Between one and two years	318	318	-	-
Between two and five years	1,063	1,063	-	-
In five years or more	3,706	3,706	-	-
<b>Total</b>	<b><u>5,389</u></b>	<b><u>5,389</u></b>	<b><u>9,110</u></b>	<b><u>9,110</u></b>

During the year the College repaid the variable element of the Barclays loan in full using the proceeds of property sales. Interest payable on the loan during the year was charged at 5.49%. As a result of covenant breaches the terms of the loan were revised after the balance sheet date (see Note 22). From 1 August 2021 interest is payable at 7.06% over the remaining term of 2034. The loan is secured by a first legal charge over the Baltic Campus, The Skills Academy for Construction and the Skills Academy – Automotive and a second charge over the Future Technology Centre.

## 17 Provisions

	<b>Group (Restated)</b>				<b>Total</b>
	<b>Defined benefit obligations</b>	<b>Restructuring</b>	<b>Enhanced pensions</b>	<b>Other</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
At 1 August 2020	39,748	-	592	-	<b>40,340</b>
Expenditure in the period	(1,280)	-	(48)	-	<b>(1,328)</b>
Additions in period	(3,922)	-	106	-	<b>(3,816)</b>
<b>At 31 July 2021</b>	<b>34,546</b>	<b>-</b>	<b>650</b>	<b>-</b>	<b>35,196</b>

	<b>College</b>				<b>Total</b>
	<b>Defined benefit obligations</b>	<b>Restructuring</b>	<b>Enhanced pensions</b>	<b>Other</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
At 1 August 2020	39,390	-	592	-	<b>39,982</b>
Expenditure in the period	(1,280)	-	(48)	-	<b>(1,328)</b>
Additions in period	(3,564)	-	106	-	<b>(3,458)</b>
<b>At 31 July 2021</b>	<b>34,546</b>	<b>-</b>	<b>650</b>	<b>-</b>	<b>35,196</b>

## 17 Provisions (continued)

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in note 23.

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.

The principal assumptions for this calculation are:

	2021	2020
Price inflation	2.6%	2.2%
Discount rate	1.7%	1.4%

## 18 Cash and cash equivalents (Group)

	At 1 August 2020 £'000	Cash flows £'000	Other changes £'000	At 31 July 2021 £'000
Cash and cash equivalents	1,039	6,869	-	7,908
Overdrafts	-	-	-	-
<b>Total</b>	<b>1,039</b>	<b>6,869</b>	<b>-</b>	<b>7,908</b>

## 19 Capital and other commitments

	Group and College	
	2021 £'000	2020 £'000
Commitments contracted for at 31 July	1,205	-

## 20 Lease obligations

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

	Group and College	
	2021	2020
	£'000	£'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	-	24
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>24</u>

## 21 Contingencies

The College has been in receipt of significant income from the European Social Fund (ESF) in recent years, but received £0 in the year ended 31 July 2021 (2020: £0).

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.

## 22 Events after the reporting period

In August 2021, the College has signed an agreement with Tyne and Wear Pension Fund (TWPS) who manage the LGPS pension arrangements on behalf of the College. The agreement specifies that the College will make additional pension contributions during the period 1 August 2021 to 31 March 2023 to ensure that total annual employer contributions do not fall below a minimum amount of £1,650,000. As the scheme is accounted for as a defined benefit scheme this liability is outside the scope of FRS 102 section 21 provisions and contingencies and is instead considered under section 28.

On 12 August 2021, the College signed a subsumption agreement with Tyne and Wear Pension Fund (TWPS), to transfer the LGPS net pension liability of Zero Carbon Futures (North) Limited valued at £242,020 to the College. This transfer was effective from the exit date of Zero Carbon Futures (North) Limited from the LGPS scheme on 31 October 2020, when the company ceased trading and had no active scheme members. These liabilities have been recalculated at 31 July 2021, on advice from the scheme actuary, at 0.06% of the College's net pension at that same date.

On 15 December 2021, the Board approved the revised terms of the Barclays loan. Interest is payable on the outstanding loan balance at 7.06% over the remaining term to 2034.

## 23 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 Tyne and Wear Local Government Pension Scheme (LGPS) for non-teaching staff. Both are multi-employer defined-benefit plans.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was as at 31 March 2019 and of the LGPS also 31 March 2019.

<b>Total pension cost for the year</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Stakeholder Pension Scheme: contributions	1	24
Teachers' Pension Scheme: contributions	1,485	1,503
Local Government Pension Scheme:		
Contributions paid – College	1,093	1,536
Contributions paid – ZCF North	8	16
FRS 102 (28) charge	1,680	2,330
Charge to the Statement of Comprehensive Income	2,781	3,882
Enhanced pension charge to Statement of Comprehensive Income	(50)	-
<b>Total Pension Cost for Year within staff costs</b>	<b>4,217</b>	<b>5,409</b>

## **23 Defined benefit obligations (continued)**

### **Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, Colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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. Retirement and other pension benefits are paid by public funds provided by Parliament.

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.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2019. The valuation report was published by the Department for Education in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,485,000 (2020: £1,503,000)

### **Local Government Pension Scheme**

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the Tyne and Wear Pension Fund. The total contributions made for the year ended 31 July 2021 were £1,435,000, of which employer's contributions totalled £1,093,000 and employees' contributions totalled £342,000. The agreed contribution rates for future years are 17.3% for the College and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

## 23 Defined benefit obligations (continued)

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by Aon Solutions UK Limited.

	<b>At 31 July 2021</b>	<b>At 31 July 2020</b>
Rate of increase in salaries	4.1%	3.7%
Future pensions increases	2.6%	2.2%
Discount rate for scheme liabilities	1.7%	1.4%
Inflation assumption (CPI)	2.6%	2.2%
Pension accounts revaluation rate	2.6%	2.2%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	<b>At 31 July 2021</b>	<b>At 31 July 2020</b>
	Years	Years
<i>Retiring today</i>		
Males	21.9	21.8
Females	25.1	25.0
<i>Retiring in 20 years</i>		
Males	23.6	23.5
Females	26.9	26.8

## 23 Defined benefit obligations (continued)

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

	% Share of Assets at 31 July 2021	Fair Value at 31 July 2021 £'000	% Share of Assets at 31 July 2020	Fair Value at 31 July 2020 £'000
Equity instruments	56.3%	31,455	53.5%	24,985
Debt instruments	21.6%	12,068	25.3%	11,815
Property	7.9%	4,414	9.2%	4,296
Cash / Other	14.2%	7,933	12.0%	5,604
<b>Total fair value of plan assets</b>		<b><u>55,870</u></b>		<b><u>46,700</u></b>
<b>Weighted average expected long term rate of return</b>	<b>1.7%</b>		<b>1.4%</b>	
<b>Actual return on plan assets</b>		<b><u>9,140</u></b>		<b><u>(1,270)</u></b>

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

	2021 £'000	2020 £'000
Fair value of plan assets	55,870	46,700
Present value of plan liabilities	(90,210)	(86,090)
Present value of plan liabilities (ZCF North)	(206)	(358)
<b>Net pensions (liability)/asset (note 17)</b>	<b><u>(34,356)</u></b>	<b><u>(39,748)</u></b>

## 23 Defined benefit obligations (continued)

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

	2021 £'000	2020 £'000
<b>Amounts included in staff costs</b>		
Current service cost	2,770	2,940
Less: Employer contributions	(1,280)	(1,740)
Curtailment cost	190	-
Past service cost	-	1,130
<b>Total</b>	<b>1,680</b>	<b>2,330</b>
<b>Amounts included in finance costs</b>		
Net interest expense	550	360
	<b>2,230</b>	<b>2,690</b>
<b>Amount recognised in Other Comprehensive Income</b>		
Return on pension plan assets	8,490	(2,320)
Experience losses arising on defined benefit obligations	(1,210)	(17,060)
Changes in assumptions underlying the present value of plan liabilities	-	-
<b>Amount recognised in Other Comprehensive Income *</b>	<b>7,280</b>	<b>(19,380)</b>

\* The amount recognised in Other Comprehensive Income within the Consolidated Statement of Comprehensive Income & Expenditure is £7,286k, which includes £146k actuarial loss on unfunded enhanced pension scheme liabilities, and £152k actuarial gain on the net pension liability transferred in from Zero Carbon Futures (North) Limited to the College.

## 23 Defined benefit obligations (continued)

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit (liability)/asset in scheme at 1 August	(39,748)	(17,320)
Movement in year:		
Current service cost	(2,770)	(2,940)
Employer contributions	1,280	1,740
Past service cost	-	(1,130)
Curtailment cost	(190)	-
Net interest on the defined	(550)	(360)
Actuarial gain or loss	7,280	(19,380)
Liability transferred in	152	(358)
<b>Net defined benefit (liability)/asset at 31 July</b>	<b><u>(34,546)</u></b>	<b><u>(39,748)</u></b>

### Asset and Liability Reconciliation

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	86,090	64,560
Current service cost	2,770	2,940
Interest cost	1,200	1,410
Contributions by Scheme participants	340	480
Experience gains and losses on defined benefit obligations	1,210	17,060
Changes in financial assumptions	-	-
Estimated benefits paid	(1,590)	(1,490)
Past Service cost	-	1,130
Curtailments and settlements	190	-
<b>Defined benefit obligations at end of period</b>	<b><u>90,210</u></b>	<b><u>86,090</u></b>

## 23 Defined benefit obligations (continued)

### Changes in fair value of plan assets

<b>Fair value of plan assets at start of period</b>	46,700	47,240
Interest on plan assets	650	1,050
Return on plan assets	8,490	(2,320)
Employer contributions	1,280	1,740
Contributions by Scheme participants	340	480
Estimated benefits paid	(1,590)	(1,490)
<b>Fair value of plan assets at end of period</b>	<b>55,870</b>	<b>46,700</b>

The figures included in note 23 include the impact of the McCloud judgement.

## 24 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 such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £67.20; 1 governor – David Mitchell (2020: £408.00; 2 governors – John Hogg and David Mitchell). This represents travel and subsistence expenses incurred in attending Governor meetings.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2020: None).

Purchase transactions in the year relating to additional services provided by the Clerk to the Corporation, Womble Bond Dickinson LLP amounted to £127,229 (2020: £138,692). There were balances outstanding at the year-end of £27,131 (2020: £14,621)

Mr M Gannon (Governor) is a trustee of North Music Trust who own Sage Gateshead. Purchases in the year to 31 July 2021 totalled £82,186 (2020: £93,361). The contract with North Music Trust was negotiated at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

## 25 Amounts disbursed as agent - Learner support funds

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
16-18 bursary grants	656	446
Other bursary grants	120	159
Other Funding body grants	16	8
Interest earned	-	-
	<u>792</u>	<u>613</u>
Disbursed to students	(538)	(525)
Administration costs	(36)	(25)
	<u>218</u>	<u>63</u>
Balance unspent as at 31 July, included in creditors	<u>218</u>	<u>63</u>

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.