



# Annual Report and Financial Statements

Year ended 31 July 2022

# Gateshead College

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# Gateshead College

## Reference and Administrative Details

### Board of Governors

David Alexander (Principal/CEO)

Sarah Stewart (Chair of Board)

Michael Wood-Williams (appointed Vice Chair 1 February 2022)

Aneela Ali

David Brind

Lisa Crichton-Jones (appointed 1 August 2021)

Carol Davenport

Roux Diablo (Student Governor, appointed 15 December 2021)

Gareth Edmunds (appointed 1 August 2021)

Martin Gannon

Martin Hedley

Sharon Kinleyside (Support Staff Governor, appointed 18 March 2022)

Alan Potter (appointed 6 April 2022)

Claire-Jane Rewcastle

Richard Rowe (Teaching Staff Governor, appointed 30 May 2022)

Mike Welsh (appointed 1 June 2022)

There have been no governor appointments since 31 July 2022.

The following governors left during the year:

Justice Abban (Student Governor, appointed 18 March 2022 and left with effect from 31 July 2022)

Robin Bailes (Support Staff Governor, resigned 31 January 2022)

Simon Ennew (Teaching Staff Governor, resigned 18 March 2022)

David Mitchell (resigned 31 December 2021)

### Clerk/Company Secretary

Womble Bond Dickinson LLP (resigned 2 November 2022)

Nicola Taylor (appointed 3 October 2022)

### **Senior management team**

David Alexander	Principal and Chief Executive
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

### **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 2022.

### 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.

The College has two subsidiary companies that traded in the year to 31 July 2022; North East Apprenticeship Company Limited (NEAC) and Gateshead College Foundation.

### 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 be at the heart of a thriving community, helping people to achieve their full potential and gain the employment edge". The College's purpose is "to develop skilled, confident learners who succeed in work and life."

### 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 continued to work with the plan for the period 2016 to 2019. Following extensive consultation with learners, employees, partners and communities, a new Strategic Plan was published during the summer of 2022.

The key themes identified in the new Strategic Plan are:

Purpose: To develop skilled, confident learners who succeed in work and life

Vision: To be at the heart of a thriving community, helping people to achieve their full potential and gain the employment edge.

Ethos: Employment edge. Industry inspired education that combines high quality learning with real world skills helping all learners, whatever their age, background or starting point, develop the confidence, personal and professional skills to be successful.

Gateshead College learners will have the best chance of getting a job, starting a business and progressing in their career; an employment edge that will set them apart.

Strategic Priorities:

Learners: To support and inspire every learner to make the most of their talents, skills and opportunities. We will encourage them to work hard and enjoy their time with us.

People: To be the place where people *want* to work, feel valued and share a passion to help our learners succeed.

Partnership: To work in partnership with organisations, businesses and communities to create the best opportunities for our learners.

Sustainability: To be a resilient organisation which takes positive action to address climate change, create a better environment for our learners, our people and future generations.

Values:

Respect others: We are kind and considerate to everyone.

Take responsibility: We act honestly and do what we say we'll do.

Have courage: We give things a go and stand up for what is right.

Be creative: We are open minded and explore new ways of doing things.

Work together: We value our differences and learn from each other

## **Resources**

The College currently has various resources that can be deployed in pursuit of strategic objectives, which include four newly built campuses completed in the last fourteen years. The College sold a further property in the year to 31 July 2022 and the cash generated enabled the College to fully repay the loan to the Department for Education.

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 assets of £21.4m including pension liability of £2.8m (2020/21 net liabilities of £12.9m including pension liability of £34.5m). The Group has bank debt of £5.1 million (2020/21 £5.4m) and net current assets of £3.0m (2020/21 £2.8m)

### *People*

The College employed an average of 445 people (expressed as full time equivalents), of whom 252 are teaching staff (2021: 432 people of whom 225 were teaching staff)

### *Reputation*

The College 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 2021-22 on continuing the progress made during 2020-21 in building stakeholder trust and confidence in the College, whilst maintaining the quality of teaching and learning and restoring 'outstanding' financial health. The College was notified by the Department for Education on 19 May 2022 that it was no longer classed as being in full intervention and would move to post intervention

monitoring and support (PIMS), and that the Financial Notice to Improve and supervised status which had been in place since December 2019 were to be removed with immediate effect.

## **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 2022 the College sold a building, the Future Technology Centre Offices. The College also finalised a campus maintenance programme funded by a £1.4m capital grant from the ESFA.



## 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>2021-22</b>	<b>2020-21</b>	<b>%+/-</b>
	<b>Headcount</b>	<b>Headcount</b>	
16-18	2,735	2,832	-3.4%
19+	3,173	3,137	+1.2%
<b>Total FE</b>	<b>5,908</b>	<b>5,969</b>	<b>-1.0%</b>
<b>Apprentices</b>	<b>Headcount</b>	<b>Headcount</b>	
16-18	533	485	+9.9%
19+	732	850	-13.9%
<b>Total APPS</b>	<b>1,265</b>	<b>1,335</b>	<b>-5.2%</b>
<b>Higher Education</b>	<b>Headcount</b>	<b>Headcount</b>	
<b>HE</b>	<b>172</b>	<b>188</b>	<b>-8.5%</b>
<b>Total</b>	<b>7,345</b>	<b>7,492</b>	<b>-2.0%</b>

## Student Success Rates

Student pass rates in 2021/22, 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>2021-22 Actual</b>	<b>2021-22 National</b>	<b>2020-21 Actual</b>	<b>2020-21 National</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
16-18	95.2%	90.1%	95.3%	91.5%
Adults	95.9%	92.9%	93.6%	91.5%

## **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 and is aligned to the key sectors identified by the North East Local Enterprise Partnership (NELEP).

The quality of curriculum 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 taken significant steps to address the financial deficit and challenges that arose during 2019. The College has achieved operating surpluses in the past 2 financial years, with similar forecast for the forthcoming two financial years. The College was notified by the Department for Education on 19 May 2022 that it was no longer classed as being in intervention and that the Financial Notice to Improve and supervised status which had been in place since December 2019 were to be removed with immediate effect. The letter confirmed that the College would move into Post Intervention Monitoring and Support (PIMS). At the same time, the Department for Education confirmed agreement of a range of actions, targets and milestones in a PIMS plan. The College continues to have bi-monthly meetings with the Department for Education and the FE Commissioner's team to monitor progress against the 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.

## **Financial Objectives 2021/22**

- In July 2021 the Board of Governors approved a budget for 2021/22. The budget identified an income target of £30.9m, costs of £30.4m an operating surplus of £522,000. During 2021/22 the College generated income of £30.6m, incurred fewer costs and delivered an operating surplus (excluding FRS102 pension charges of £1,650,000) of £784,000. This enabled the College to generate a current ratio of 1.50 at 31 July 2022 rather than the anticipated 1.08.
- The approved 2021/22 budget identified that the College would achieve an ESFA financial health rating of 'Good' for the year to 31 July 2022. However, the in-year performance delivered an actual financial health rating of 'Outstanding' for the year as measured by the ESFA. The College also self-assesses its financial health as 'Outstanding'.

## **Future Financial Objectives**

- To achieve the income target of £32.6m and operating surplus (excluding exceptional items) of £302,000 in the year to 31 July 2023.

- To achieve a current ratio of 1.72 at 31 July 2023.
- To maintain a minimum financial health rating of 'Outstanding' during the year to 31 July 2023.

### **Performance Indicators**

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 90.5% for the year to 31 July 2022 (2020/21: 84.8%), this is better than the national rate by 5.7%.
- **Financial Health:** The College's Financial Health rating is "Outstanding" as measured by the ESFA against the planned rating of "Good". The College also self-assesses financial health as "Outstanding".
- **Adjusted Current Ratio:** 1.72 compared with plan of 1.28.
- **Earnings before interest, tax, depreciation and amortisation (EBITDA)** as a percentage of income: 9.3% compared with plan of 7.3%.
- **Borrowing as a percentage of income:** 16.6% compared with plan of 23.6%
- **Delivery against funding targets:** Gateshead College achieved most of its funding body contract targets in the year to 31 July 2022. The Adult Education Budget (AEB) was adversely affected by the Covid-19 pandemic resulting in the College falling short of its AEB allocation.
- **Destinations:** The most recent set of destination data was collected in the year to 31 July 2021, with 96% of leavers having a positive destination either into employment or continuing in education.
- **Employer Engagement:** On the most recent College survey, based on responses, the employer satisfaction score was 8.5 out of 10. (There have been no FE Choices Survey's since 2018/19, they were cancelled due to the pandemic, and have not yet re-started).
- **Learner Satisfaction:** The year-end learner survey received 1,648 responses, with a 96.3% positive response to the question "Overall I am satisfied with the College" (There have been no FE Choices Survey's since 2018/19, they were cancelled due to the pandemic, and have not yet re-started).
- **Employee Satisfaction:** The College latest staff survey showed a score of 7.9 out of 10 overall employee satisfaction score using the new survey provider Reward Gateway. This is an improvement on the score from 2020/21 which was 7.8.

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 financial health grading of 'outstanding'.

## **FINANCIAL POSITION**

### **Financial results**

The consolidated operating deficit in the year was £866,000 (2020/21 £709,000) after FRS102 charges of £1,650,000. Excluding the FRS102 charges the College is reporting an operating surplus of £784,000. During the year, £26,000 of staff restructuring costs were incurred (2020/21 £195,000) plus interest charges (net of pension finance costs) of £388,000 (2020/21 £327,000). The surplus (excluding FRS102 pension charges) position in the year to 31 July 2022 of £784,000 was largely as a result of effective cost control.

The College had two subsidiary companies as at 31 July 2022; North East Apprenticeship Company Limited and the Gateshead College Foundation. The following subsidiary companies have been dissolved and are no longer form part of the group: Amacus Limited, Zero Carbon Futures (North) Limited and Gateshead Sport Management (Malaysia) SDN.BHD.

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 2022 generating turnover of £497,292 and a pre-tax trading profit of £30,892.

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 £22,048 in the year with a reduction in funds of £15,871. The remaining funds as at 31 July 2022 were £1,127,962.

Tangible fixed asset additions to the group during the year totalled £1,935,000 which represented the ongoing update of facilities and equipment at all College campuses. This included £9,100 for 26 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 2021/2022 the ESFA provided 84.2% of the College's total income (£25,825k from total income of £30,665k). In total the College had previously accessed emergency funding from the ESFA of £5.4m and was able to fully repay the balance outstanding during the year to 31 July 2022, following the sale of the Future Technology Centre Office Building.

### **Treasury Policies and Objectives**

The Group has treasury management arrangements in place to manage cashflows, banking arrangements and the risk associated with those activities. The sale of the Future Technology Centre building enabled the College to repay its debt to the Department for Education in full during the year.

## **Cash flow**

There was an operating inflow of cash in 2021/22 of £3,401,000 (2020/21 inflow of £6,514,000). After investing and financing activities cash and cash equivalents decreased by £558,000 during the year (2020/21 increase of £6,869,000).

## **Liquidity**

During the year, the College required no further support funding from the Department for Education, and was able to fully repay the outstanding loan balance of £1,997,900 in July 2022 following the sale of the Future Technology Centre Offices.

There was no additional funding received from other external sources and standard scheduled loan repayments to Barclays of £302,000 were made during the year.

The College has borrowings of £5,088,000 at 31 July 2022 (2020/21 £8,147,000) relating to a fixed-rate loan from Barclays. The loan from the Department for Education was fully repaid during the year to 31 July 2022.

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 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. The College plans to introduce a Finance Strategy and Reserves Policy during 2022/23.

As at the balance sheet date the Group Income and Expenditure reserve stands at £24,191,000, reducing to £21,441,000 after taking into account Defined Benefit Obligations of £2,750,000 (2021: £21,687,000 reducing to (£12,859,000) after taking into account Defined Benefit Obligations of £34,546,000). The Defined Benefit Scheme liabilities decreased by £31.8m following the annual actuarial re-calculation, largely as a result of significant upturn in the discount rate, which represents the expected medium to long-term gains from Corporate Bonds.

It is the Corporation's intention to increase reserves of the Group over the life of the newly published Strategic Plan through the generation of annual operating surpluses.

## **Group companies**

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

- 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.

Any surpluses generated by North East Apprenticeship Company Ltd are transferred to the College under deed of covenant with the details being as follows:

	Gift aided to College	
	2022	2021
North East Apprenticeship Company Ltd	£27,928	£29,247

## 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. 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 property and full repayment of the loan support from the ESFA has enabled the College to maintain healthy cash balances for the year with cash or cash equivalents of £7.35m at 31 July 2022. The College continues to work closely with the ESFA, 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 2022/23 annual budget.

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

The College has implemented the recommendations of the 2021 internal audit of IT security, with regular reviews ongoing. The College's IT Service team 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.

**3. Failure to recruit, retain, develop and support high calibre staff.**

The College has rigorous and robust recruitment and selection processes, regularly reviews its staffing complement to identify key posts which are risk assessed, and maintains a succession planning register. The College has been able to successfully appoint to all the recent key senior management vacancies. However, the current labour market is extremely competitive, and the College has experienced some difficulty in filling vacancies.

## **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	£28,282
Total pay bill	£18,955,000
Percentage of total bill spent on facility time	0.15%

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 2024. The forecasts are based on actual enrolments in 2022/23 and, where appropriate, quantify their anticipated impact on funding allocations and costs in 2023/24. 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**

Following repayment of the Department for Education loan in July 2022 and the release of all security over College assets held by the Department, Barclays agreed to release all funds held in an escrow account to the College on 15 August 2022. The value of the funds released was £1,576,882

On 29 November 2022, the Office for National Statistics reclassified all college corporations (and their subsidiaries) as public sector institutions with immediate effect and this prompted the Department for Education to introduce some new rules for colleges which will take effect during 2022/23. The College considers this announcement to be a non-adjusting post balance sheet event and is evaluating the implications of the announcement and the potential new rules but do not consider that they will have an impact on these financial statements.

## **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 13 December 2022 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 2021 to 31<sup>st</sup> July 2022 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 the provisions of the Code, and it has complied throughout the year ended 31 July 2022. 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.

Appointee	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2021/22
Justice Abban	18/03/2022	1 year	31/07/2022	Student		2/2 – 100%
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	20/22 – 92%
Aneela Ali	14/02/2020	4 years		Governor	Audit Committee Curriculum and Quality Standards Committee	9/12 – 75%
Robin Bailes – support staff governor	27/01/2021	2 years	31/01/2022	Staff	Finance and General Purposes Committee	5/5 – 100%
David Brind	23/12/2020	4 years		Governor	Finance and General Purposes Committee	8/10 – 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 2021/22</b>
Lisa Crichton-Jones	01/08/2021	4 years		Governor	People and Remuneration Committee	7/8 – 88%
Carol Davenport	23/12/2020	4 years		Governor	Curriculum and Quality Standards Committee	7/8 – 88%
Roux Diablo	15/12/2021	1 year		Student		2/3 – 67%
Gareth Edmunds	01/08/2021	4 years		Governor	Finance and General Purposes Committee	10/11 – 91%
Simon Ennew – teaching staff governor	27/04/2020	2 years	18/03/2022	Staff		0/3 – 0%
Martin Gannon	May 2018 Reappointed in July 2022	4 years		Governor	Governance Committee	5/7 – 71%
Martin Hedley	26/03/2020	4 years		Governor	Chair - Finance and General Purposes Committee	10/11 – 91%
Sharon Kinleyside – support staff governor	18/03/2022	2 years		Staff	Finance and General Purposes Committee	4/4 – 100%
David Mitchell	Reappointed October 2017	4 years	31/12/2021	Governor	Chair – Curriculum and Quality Standards Committee	4/4 – 100%
Alan Potter	06/04/2022	4 years		Governor	Finance and General Purposes Committee	2/3 – 67%

<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 2021/22</b>
Claire-Jane Rewcastle	October 2018 Reappointed in July 2022	4 years		Governor	Chair – People and Remuneration Committee Governance Committee	9/11 – 92%
Richard Rowe – teaching staff governor	30/05/2022	2 years		Staff		1/1 – 100%
Sarah Stewart	October 2018 – appointed as Chair December 2021 Reappointed in July 2022	4 years		Governor	Chair – Governance Committee Curriculum and Quality Standards Committee People and Remuneration Committee	14/16 – 89%
Mike Welsh	01/06/2022	4 years		Governor	Chair – Curriculum and Quality Standards Committee	1/1 – 100%
Michael Wood-Williams	January 2021 Appointed Vice-chair of Board 01/02/2022	4 years		Governor	Chair – Audit Committee Governance Committee	13/13 – 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. 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, three new independent governors, two new student governors and two new staff governors were appointed. Three current independent governors were reappointed.

## **Corporation performance**

An internal Board self-assessment for 2021/22 commenced in June 2022 and progressed over the summer. The results were reported to the November 2022 Governance Committee and a summary of the overall assessment including proposed actions was presented to the Board in December 2022.

Throughout the year, the Board has received training and information sessions on risk management, pensions, diversity of thought, policy and the external environment, values and sector updates. The Board also held two conferences which included the opportunity to tour the College's sites and meet with staff and students.

New governors appointed to the Board and those co-opted to Committees have received an induction.

All governors were asked to complete mandatory training modules covering Prevent, safeguarding, health and safety and GDPR.

Following a Clerking Review, the Board decided to appoint a Director of Governance and Compliance as an employee. Interviews were completed in June 2022 and the successful candidate took up the post in October 2022.

## **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 two co-optee's. The Committee operates in accordance with written terms of reference approved by the corporation. These were reviewed and revised during 2021/22.

The Audit Committee met four 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 2021/22</b>
Michael Wood Williams (Chair)	4/4 - 100%
Aneela Ali	4/4 - 100%
Neil Weddle (co-opted), resigned 06/02/2022	3/3 - 100%
Jennifer Boyle (co-opted), appointed 15/06/2022	1/1 – 100%
Darren Curry (co-opted), appointed 15/06/2022	1/1 – 100%

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 & Bisset as internal auditors (taking over from PWC).

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 2022 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 2022 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 received training on risk management, risk appetite and published an updated risk management policy. The governing body will also continue to refine its approach to risk oversight and management in the future.

## **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 Wylie and Bisset 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 2021/22 and up to the date of the approval of the financial statements are:

- Key Financial Controls
- Safeguarding
- Risk Management
- Procurement
- Adult Education Budget (AEB) Funding & Learner Numbers
- Follow-up of previous recommendations

The reports made a total of 19 recommendations of which 2 were categorised as high, 7 as medium and 11 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 auditor 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 2022 meeting, the corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2022.

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 13 December 2022 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: 13 December 2022



Sarah Stewart  
Chair of Governors

Date: 13 December 2022

# 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 13 December 2022 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 flourish extending from 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 2022 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 2022 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**

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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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 considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: compliance with the ESFA funding agreements, the OFSTED regulatory framework, safeguarding, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the College is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the 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.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation.

In addition, we evaluated the members of the corporation and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks 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 revenue recognition (which we pinpointed to the cut off assertion) and significant one-off or unusual transactions.

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

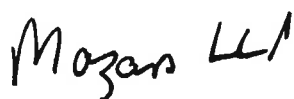
- Making enquiries of the members of the corporation and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; 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.

### **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**

Chartered Accountants and Statutory Auditor  
The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

Date: 19 December 2022

# 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 October 2022 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 2021 to 31 July 2022 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.

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 2021 to 31 July 2022 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 and propriety.

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.
- Tested a sample of individual learner records.
- 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 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

*Mazars LLP*

MAZARS LLP

The Corner

Bank Chambers

26 Mosley Street

Newcastle upon Tyne

NE1 1DF

Date: 19 December 2022

# Gateshead College

## Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2022		Year ended 31 July 2021	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Funding body grants	2	25,981	25,981	26,030	26,030
Tuition fees and education contracts	3	2,903	2,454	2,270	1,997
Other grants and contracts	4	866	820	1,998	1,965
Other income	5	914	910	823	797
Donations and Endowments	6	-	28	-	130
<b>Total income</b>		<b>30,664</b>	<b>30,193</b>	<b>31,121</b>	<b>30,919</b>
<b>EXPENDITURE</b>					
Staff costs	7	18,955	18,491	18,240	17,950
Restructuring costs	7	26	26	195	195
Other operating expenses	8	9,352	9,311	9,177	9,231
Depreciation	11	2,229	2,229	2,311	2,311
Impairment	11	-	-	1,020	1,020
Interest and other finance costs	9	968	988	887	904
<b>Total expenditure</b>		<b>31,530</b>	<b>31,045</b>	<b>31,830</b>	<b>31,611</b>
<b>(Deficit) before other gains and losses</b>		<b>(866)</b>	<b>(852)</b>	<b>(709)</b>	<b>(692)</b>
Gain on disposal of assets	11	1,648	1,648	5,823	5,823
(Loss) on Investments		-	-	-	(241)
<b>Surplus before tax</b>		<b>782</b>	<b>796</b>	<b>5,114</b>	<b>4,890</b>
Taxation	10	-	-	-	-
<b>Surplus for the year</b>		<b>782</b>	<b>796</b>	<b>5,114</b>	<b>4,890</b>
Actuarial gain in respect of pensions schemes	23	33,518	33,518	7,286	6,928
<b>Total Comprehensive Income for the year</b>		<b>34,300</b>	<b>34,314</b>	<b>12,400</b>	<b>11,818</b>
<b>Represented by:</b>					
<b>Restricted comprehensive income</b>		-	-	-	-
<b>Unrestricted comprehensive income</b>		<b>34,300</b>	<b>34,314</b>	<b>12,400</b>	<b>11,818</b>
		<b>34,300</b>	<b>34,314</b>	<b>12,400</b>	<b>11,818</b>
<b>Surplus for the year attributable to:</b>					
Non-controlling interest		-	-	-	-
Group		<b>782</b>	<b>796</b>	<b>5,114</b>	<b>4,890</b>
<b>Total Comprehensive Income for the year</b>					
Non-controlling interest		-	-	-	-
Group		<b>34,300</b>	<b>34,314</b>	<b>12,400</b>	<b>11,818</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 2020</b>	(25,162)	(25,162)
Surplus 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)
	<u>12,303</u>	<u>12,303</u>
<b>Balance at 31 July 2021</b>	(12,859)	(12,859)
Surplus from the income and expenditure account	/82	/82
Other comprehensive income	33,518	33,518
Transfers between revaluation and income and expenditure reserves	-	-
<b>Total comprehensive income</b>	<u>34,300</u>	<u>34,300</u>
<b>Balance at 31 July 2022</b>	<u>21,441</u>	<u>21,441</u>
<b>College</b>		
<b>Balance at 1 August 2020</b>	(25,850)	(25,850)
Surplus 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	-	-
	<u>11,818</u>	<u>11,818</u>
<b>Balance at 31 July 2021</b>	(14,032)	(14,032)
Surplus from the income and expenditure account	796	796
Other comprehensive income	33,518	33,518
Transfers between revaluation and income and expenditure reserves	-	-
<b>Total comprehensive income</b>	<u>34,314</u>	<u>34,314</u>
<b>Balance at 31 July 2022</b>	<u>20,282</u>	<u>20,282</u>

# Gateshead College

## Balance sheets as at 31 July 2022

	Notes	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
<b>Non-current assets</b>					
Tangible Fixed assets	11	42,540	42,540	44,225	44,225
		<b>42,540</b>	<b>42,540</b>	<b>44,225</b>	<b>44,225</b>
<b>Current assets</b>					
Stocks		10	10	4	4
Trade and other receivables	13	1,628	1,597	1,486	1,460
Investments		-	-	-	-
Cash and cash equivalents	18	7,350	7,165	7,908	7,776
		<b>8,988</b>	<b>8,772</b>	<b>9,398</b>	<b>9,240</b>
<b>Creditors – amounts falling due within one year</b>	14	(6,010)	(6,074)	(6,559)	(6,622)
<b>Net current assets</b>		<b>2,978</b>	<b>2,698</b>	<b>2,839</b>	<b>2,618</b>
<b>Total assets less current liabilities</b>		<b>45,518</b>	<b>45,238</b>	<b>47,064</b>	<b>46,843</b>
Creditors – amounts falling due after more than one year	15	(20,797)	(21,676)	(24,727)	(25,679)
<b>Provisions</b>					
Defined benefit obligations	17	(2,750)	(2,750)	(34,546)	(34,546)
Other provisions	17	(530)	(530)	(650)	(650)
<b>Total net assets / (liabilities)</b>		<b>21,441</b>	<b>20,282</b>	<b>(12,859)</b>	<b>(14,032)</b>
<b>Unrestricted Reserves</b>					
Income and expenditure account		21,441	20,282	(12,859)	(14,032)
Revaluation reserve		-	-	-	-
<b>Total unrestricted reserves</b>		<b>21,441</b>	<b>20,282</b>	<b>(12,859)</b>	<b>(14,032)</b>
<b>Total reserves</b>		<b>21,441</b>	<b>20,282</b>	<b>(12,859)</b>	<b>(14,032)</b>

The financial statements on pages 37 to 67 were approved and authorised for issue by the corporation on 13 December 2022 and were signed on its behalf on that date by:



Sarah Stewart  
Chair of Governors



David Alexander  
Accounting Officer

# Gateshead College

## Consolidated Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		782	5,114
<b>Adjustment for non-cash items</b>			
Depreciation	11	2,229	2,311
Impairment	11	-	1,020
(Increase)/decrease in stocks		(6)	64
(Increase)/decrease in debtors	13	(142)	923
Increase in creditors due within one year	14	268	842
Increase/(decrease) in creditors due after one year	15	-	-
(Decrease)/increase in provisions	17	(120)	58
Pensions costs less contributions payable	23	1,070	1,680
<b>Adjustment for investing or financing activities</b>			
Investment income		-	-
Interest payable	9	968	325
Taxation paid		-	-
Gain on sale of fixed assets	11	(1,648)	(5,823)
<b>Net cash flow from operating activities</b>		<u>3,401</u>	<u>6,514</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		1,755	7,497
Capital Grants (Released / Repaid)		(331)	(275)
Payments made to acquire fixed assets	11	(1,935)	(474)
		<u>(511)</u>	<u>6,748</u>
<b>Cash flows from financing activities</b>			
Interest paid	9	(388)	(325)
New unsecured loans	15	-	303
Repayments of amounts borrowed	16	(3,060)	(6,371)
		<u>(3,448)</u>	<u>(6,393)</u>
<b>(Decrease) / increase in cash and cash equivalents in the year</b>		<u><b>(558)</b></u>	<u><b>6,869</b></u>
Cash and cash equivalents at beginning of the year		7,908	1,039
Cash and cash equivalents at end of the year		7,350	7,908



# 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 2021 to 2022 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 and North East Apprenticeship Company Limited.

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 £5.088m of loans outstanding with Barclays Bank, repayable in instalments by 2034. The ESFA loan was fully repaid in the year to 31<sup>st</sup> July 2022, with the ESFA's security over College properties released post year end. Prior to authorising the financial statements the College has updated its forecasts including cash flow projections

for the period up to July 2024. The forecasts are based on actual enrolments in 2022/23 and, where appropriate, quantify their anticipated impact on funding allocations and costs in 2023/24. 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 2022.

### *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 2021-22*, 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 2022. 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.

<b>2 Funding body grants</b>	<b>Y/end 31 July 2022</b>		<b>Y/end 31 July 2021</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>
<b>Recurrent grants</b>				
Education and Skills Funding Agency – Adult Education Budget	4,644	4,644	4,888	4,888
Education and Skills Funding Agency – Apprenticeships	3,823	3,823	3,966	3,966
Devolved Authorities – Adult Education Budget	1,133	1,133	2,219	2,219
Education and Skills Funding Agency – 16 - 16-19 classroom based	14,421	14,421	12,901	12,901
Office for students	160	160	164	164
<b>Specific grants</b>				
Education and Skills Funding Agency – European Funds	125	125	-	-
Teacher Pension Scheme contribution	523	523	562	562
Education and Skills Funding Agency – Other Grants *	682	682	820	820
Releases of government capital grants	470	470	510	510
HE grant	-	-	-	-
<b>Total</b>	<b>25,981</b>	<b>25,981</b>	<b>26,030</b>	<b>26,030</b>

\* Education and Skills Funding Agency – Other Grants includes the following Covid-19 response funding: 16-19 Covid Tuition Fund £180k (2021: £214k), Covid Testing Funding £34k (2021: £55k) and 16-19 High Value Courses premium £58k (2021: £52k).



3 Tuition fees and education contracts	Y/end 31 July		Y/end 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	189	189	97	97
Apprenticeship contracts	163	163	182	182
Fees for FE loan supported courses	543	543	668	668
Fees for HE loan supported courses	762	762	726	726
<b>Total tuition fees</b>	<b>1,657</b>	<b>1,657</b>	<b>1,673</b>	<b>1,673</b>
Education contracts	1,246	797	597	324
<b>Total</b>	<b>2,903</b>	<b>2,454</b>	<b>2,270</b>	<b>1,997</b>

4 Other grants and contracts	Y/end 31 July		Y/end 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grant income	592	546	549	530
Non-government capital grants	274	274	1,374	1,375
Coronavirus Job Retention Scheme grant	-	-	75	60
<b>Total</b>	<b>866</b>	<b>820</b>	<b>1,998</b>	<b>1,965</b>

The corporation did not furlough any members of staff during the year to 31 July 2022, and therefore was not eligible to any funds from the government's Coronavirus Job Retention Scheme.

5 Other income	Y/end 31 July		Y/end 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	25	25	11	11
Other income generating activities	83	83	122	122
Miscellaneous income	466	462	690	664
Lennartz VAT Recovery	340	340	-	-
<b>Total</b>	<b>914</b>	<b>910</b>	<b>823</b>	<b>797</b>

<b>6 Donations – College only</b>	<b>Year end 31 July 2022 £'000</b>	<b>Year ended 31 July 2021 £'000</b>
Unrestricted donations	28	130
<b>Total</b>	<b>28</b>	<b>130</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>2022 No.</b>	<b>2021 No.</b>
FTE		
Teaching staff	252	225
Non-teaching staff	193	207
	<b>445</b>	<b>432</b>

	<b>2022 No.</b>	<b>2021 No.</b>
Headcount		
Teaching staff	271	278
Non-teaching staff	226	264
	<b>497</b>	<b>542</b>

### **Staff costs - Group**

	<b>2022 £'000</b>	<b>2021 £'000</b>
Wages and salaries	13,304	12,848
Social security costs	1,201	1,175
Other pension costs	4,450	4,217
<b>Payroll sub total</b>	<b>18,955</b>	<b>18,240</b>
Contracted out staffing services	-	-
	<b>18,955</b>	<b>18,240</b>
Restructuring costs – Contractual	26	195
- Non contractual	-	-
<b>Total Staff costs - Group</b>	<b>18,981</b>	<b>18,435</b>

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

### Staff costs - College

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	12,841	12,560
Social security costs	1,200	1,173
Other pension costs	4,450	4,217
	<hr/>	<hr/>
<b>Payroll sub total</b>	<b>18,491</b>	<b>17,950</b>
Contracted out staffing services	-	-
	<hr/>	<hr/>
	<b>18,491</b>	<b>17,950</b>
Restructuring costs – Contractual	26	195
- Non contractual	-	-
	<hr/>	<hr/>
<b>Total Staff costs - College</b>	<b>18,517</b>	<b>18,145</b>
	<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.

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

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel including the Accounting Officer was:	6	6
	<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	
	2022	2021	2022	2021
£10,001 to £15,000 p.a.	1	1	-	-
£60,001 to £65,000 p.a.	-	1	3	3
£65,001 to £70,000 p.a.	-	-	1	2
£70,001 to £75,000 p.a.	-	-	1	-
£80,001 to £85,000 p.a.	2	2	-	-
£85,001 to £90,000 p.a.	1	-	-	-
£95,001 to £100,000 p.a.	1	1	-	-
£145,001 to £150,000 p.a.	1	-	-	-
£150,001 to £155,000 p.a.	-	1	-	-
	<b>6</b>	<b>6</b>	<b>5</b>	<b>5</b>

Key management personnel compensation is made up as follows:

	2022 £'000	2021 £'000
Basic salary	521	497
Performance related pay and bonus	-	-
Benefits in kind	-	-
Pension contributions	109	105
Total key management personnel compensation	<b>630</b>	<b>602</b>

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:

**Principal 1 (commenced 24 Feb 2020, left 31 Aug 2021)**

Basic salary	13	152
Performance related pay and bonus	-	-
Other including benefits in kind	-	-
Pension contributions	3	36
Total – Principal 1	<b>16</b>	<b>188</b>

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

### Principal 2 (commenced 28 Jun 2021)

Basic salary	150	14
Performance related pay and bonus	-	-
Other including benefits in kind	-	-
Pension contributions	31	3
Total – Principal 2	<u>181</u>	<u>17</u>
Overall Total	<u>197</u>	<u>205</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

	2022 £'000	2021 £'000
Principal's basic salary as a multiple of the median of all staff	5.1	5.6
Principal and CEO's total remuneration as a multiple of the median of all staff	5.1	5.6

The members of the corporation 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

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Teaching costs	4,638	4,598	4,442	4,497
Non-teaching costs	2,883	2,882	3,115	3,116
Premises costs	1,831	1,831	1,620	1,618
<b>Total</b>	<b><u>9,352</u></b>	<b><u>9,311</u></b>	<b><u>9,177</u></b>	<b><u>9,231</u></b>

<b>Other operating expenses include:</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit*	56	76
Other services provided by the financial statements auditor (grant audits and taxation services)	12	15
Internal audit fees**	20	67
Other services provided by the internal auditors	2	12
Losses on disposal of non-current assets	-	-
Losses on disposal of investments	-	-
Depreciation	2,229	2,311
Hire of assets under operating leases	-	-
Payments to Subcontractors	2,405	1,885
Office for Students Access & Participation:		
Access Investment	-	12
Financial Support to Students	3	2
Disability Support	-	-
Research & Evaluation	-	-

\* includes £52,533 in respect of the College (2021: £72,619)

\*\* includes £20,458 in respect of the College (2021: £66,620)

## 9 Interest and other finance costs – Group

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans:	388	327
On intercompany loans:	-	-
	<u>388</u>	<u>327</u>
On finance leases	-	-
Net interest on defined pension liability (note 23)	580	560
	<u>580</u>	<u>560</u>
<b>Total</b>	<b><u>968</u></b>	<b><u>887</u></b>

## 9 Interest and other finance costs – College

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans:	388	327
On intercompany loans:	20	17
	<u>408</u>	<u>344</u>
On finance leases	-	-
Net interest on defined pension liability (note 23)	580	560
	<u>580</u>	<u>560</u>
<b>Total</b>	<b><u>988</u></b>	<b><u>904</u></b>

## 10 Taxation – Group only

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom corporation tax	-	-
Provision for deferred corporation tax	-	-
	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>-</u></b>	<b><u>-</u></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 and College)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2021	51,001	8,599	13,623	73,223
Additions	-	-	1,935	1,935
Disposals	(1,633)	(14)	(1,149)	(2,796)
<b>At 31 July 2022</b>	<b>49,368</b>	<b>8,585</b>	<b>14,409</b>	<b>72,362</b>
<b>Depreciation</b>				
At 1 August 2021	14,105	5,233	9,660	28,998
Charge for the year	1,061	208	960	2,229
Disposals	(346)	(14)	(1,045)	(1,405)
<b>At 31 July 2022</b>	<b>14,820</b>	<b>5,427</b>	<b>9,575</b>	<b>29,822</b>
<b>Net book value at 31 July 2022</b>	<b>34,548</b>	<b>3,158</b>	<b>4,834</b>	<b>42,540</b>
Net book value at 31 July 2021	36,896	3,366	3,963	44,225

During the year the College received 26 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 2021-22*, 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 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 2021, 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 2021/22 this was not achieved preventing an annual donation.

### 13 Trade and other receivables

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:				
Trade receivables	438	374	344	303
Amounts owed by group undertakings:				
Subsidiary undertakings	-	33	-	15
Prepayments and accrued income	849	849	615	615
Amounts owed by the ESFA	300	300	374	374
Other Debtors	41	41	153	153
<b>Total</b>	<b>1,628</b>	<b>1,597</b>	<b>1,486</b>	<b>1,460</b>

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

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	318	318	302	302
Trade payables	594	593	1,042	1,042
Amounts owed to group undertakings:				
Subsidiary undertakings	-	74	-	74
Other taxation and social security	673	671	313	311
Accruals and deferred income	1,161	1,154	1,241	1,231
Deferred income - government capital grants	744	744	743	743
ESFA Loan	-	-	760	760
Amounts owed to the ESFA	1,761	1,761	1,429	1,429
Other Creditors	759	759	729	729
<b>Total</b>	<b>6,010</b>	<b>6,074</b>	<b>6,559</b>	<b>6,622</b>

## 15 Creditors: amounts falling due after one year

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank Loans	4,769	4,769	5,087	5,087
ESFA Loan *	-	-	1,998	1,998
Amounts owed to group undertakings **	-	879	-	952
Deferred income - government capital grants	16,028	16,028	17,642	17,642
<b>Total</b>	<b>20,797</b>	<b>21,676</b>	<b>24,727</b>	<b>25,679</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 converted grant support payments totalling £4.3m into a loan, which was repayable by 18 November 2025. Interest on the outstanding loan was charged at PWLB standard rate. The loan was secured by first and second legal charges over various property assets. The loan was fully repaid during the year to 31 July 2022, with the security released by the ESFA in August 2022.

\*\* 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>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	318	318	302	302
Between one and two years	335	335	318	318
Between two and five years	1,122	1,122	1,063	1,063
In five years or more	3,313	3,313	3,706	3,706
<b>Total</b>	<b>5,088</b>	<b>5,088</b>	<b>5,389</b>	<b>5,389</b>

Interest payable on the loan during the year was initially charged at 5.49%. A new agreement was signed on 22 December 2022 at which point interest became payable at 7.06% over the remaining term of the loan, fully payable by 2034. The loan is secured by a first legal charge over the Baltic Campus, The Skills Academy for Construction and the Skills Academy – Automotive.

## 17 Provisions

	Group and College				Total
	Defined benefit obligations	Restructuring	Enhanced pensions	Other	
	£'000	£'000	£'000	£'000	
At 1 August 2021	34,546	-	650	-	35,196
Expenditure in the period	(1,770)	-	(40)	-	(1,810)
Additions in period	(30,026)	-	(80)	-	(30,106)
<b>At 31 July 2022</b>	<b>2,750</b>	<b>-</b>	<b>530</b>	<b>-</b>	<b>3,280</b>

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:

	2022	2021
Price inflation	2.5%	2.6%
Discount rate	3.4%	1.7%

## 18 Cash and cash equivalents (Group)

	At 1 August 2021	Cash flows	Other changes	At 31 July 2022
	£'000	£'000	£'000	£'000
Cash and cash equivalents	7,908	(558)	-	7,350
Overdrafts	-	-	-	-
<b>Total</b>	<b>7,908</b>	<b>(558)</b>	<b>-</b>	<b>7,350</b>

## 19 Capital and other commitments

	<b>Group and College</b>	
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
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:

	<b>Group and College</b>	
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>-</u>

## 21 Contingencies

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

The Department for Education loan was repaid in full before the 31st July 2022. Following repayment of the Department for Education loan in July 2022 and the release of all security over College assets held by the Department, Barclays agreed to release all funds held in an escrow account to the College on 15 August 2022. The value of the funds released was £1,576,882

On 29 November 2022, the Office for National Statistics reclassified all college corporations (and their subsidiaries) as public sector institutions with immediate effect and this prompted the Department for Education to introduce some new rules for colleges which will take effect during 2022/23.

The College considers this announcement to be a non-adjusting post balance sheet event and is evaluating the implications of the announcement and the potential new rules but do not consider that they will have an impact on these financial statements.

## 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>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Stakeholder Pension Scheme: contributions	2	1
Teachers' Pension Scheme: contributions	1,557	1,485
Local Government Pension Scheme:		
Contributions paid – College	1,821	1,093
Contributions paid – ZCF North	-	8
FRS 102 (28) charge	1,070	1,680
Charge to the Statement of Comprehensive Income	2,891	2,781
Enhanced pension charge to Statement of Comprehensive Income	-	(50)
<b>Total Pension Cost for Year within staff costs</b>	<b>4,450</b>	<b>4,217</b>

### 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 2021-22 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 £1,557,000 (2021: £1,485,000)

### **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 2022 were £2,163,000, of which employer's contributions totalled £1,821,000 and employees' contributions totalled £342,000. The agreed contribution rates for future years are 19.7% for the College and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2022 by Aon Solutions UK Limited.

	<b>At 31 July 2022</b>	<b>At 31 July 2021</b>
Rate of increase in salaries	4.0%	4.1%
Future pensions increases	2.5%	2.6%
Discount rate for scheme liabilities	3.4%	1.7%
Inflation assumption (CPI)	2.5%	2.6%
Pension accounts revaluation rate	2.5%	2.6%

## 23 Defined benefit obligations (continued)

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

	At 31 July 2022 Years	At 31 July 2021 Years
<i>Retiring today</i>		
Males	21.8	21.9
Females	25.0	25.1
<i>Retiring in 20 years</i>		
Males	23.5	23.6
Females	26.7	26.9

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 2022	Fair Value at 31 July 2022 £'000	% Share of Assets at 31 July 2021	Fair Value at 31 July 2021 £'000
Equity instruments	53.8%	31,543	56.3%	31,455
Debt instruments	24.6%	14,423	21.6%	12,068
Property	11.1%	6,508	7.9%	4,414
Cash / Other	10.5%	6,156	14.2%	7,933
<b>Total fair value of plan assets</b>		<b>58,630</b>		<b>55,870</b>
<b>Weighted average expected long term rate of return</b>	<b>3.4%</b>		<b>1.7%</b>	
<b>Actual return on plan assets</b>		<b>8,200</b>		<b>9,140</b>

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

	2022 £'000	2021 £'000
Fair value of plan assets	58,630	55,870
Present value of plan liabilities	(61,380)	(90,210)
Present value of plan liabilities (ZCF North)	-	(206)
<b>Net pensions (liability) (note 17)</b>	<b>(2,750)</b>	<b>(34,546)</b>

## 23 Defined benefit obligations (continued)

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

	2022 £'000	2021 £'000
<b>Amounts included in staff costs</b>		
Current service cost	2,840	2,770
Less: Employer contributions	(1,770)	(1,280)
Curtailment cost	-	190
Past service cost	-	-
<b>Total</b>	<b>1,070</b>	<b>1,680</b>
<b>Amounts included in finance costs</b>		
Net interest expense	570	550
	<b>1,640</b>	<b>2,230</b>
<b>Amount recognised in Other Comprehensive Income</b>		
Return on pension plan assets	410	8,490
Experience gains / (losses) arising on defined benefit obligations	32,820	(1,210)
Changes in assumptions underlying the present value of plan liabilities	-	-
<b>Amount recognised in Other Comprehensive Income *</b>	<b>33,230</b>	<b>7,280</b>

\* The amount recognised in Other Comprehensive Income within the Consolidated Statement of Comprehensive Income & Expenditure is £33,518k, which includes £82k actuarial gain on unfunded enhanced pension scheme liabilities, and £206k actuarial gain on the reversal of the net pension liability transferred in from Zero Carbon Futures (North) Limited to the College at 31 July 2021.



## 23 Defined benefit obligations (continued)

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit (liability) in scheme at 1 August	(34,546)	(39,748)
Movement in year:		
Current service cost	(2,840)	(2,770)
Employer contributions	1,770	1,280
Past service cost	-	-
Curtailment cost	-	(190)
Net interest on the defined	(570)	(550)
Actuarial gain	33,230	7,280
Liability transferred out	206	152
<b>Net defined benefit (liability) at 31 July</b>	<b><u>(2,750)</u></b>	<b><u>(34,546)</u></b>

### Asset and Liability Reconciliation

	<b>2022</b>	<b>2021</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>	90,210	86,090
Current service cost	2,840	2,770
Interest cost	1,530	1,200
Contributions by Scheme participants	340	340
Experience gains and losses on defined benefit obligations	(32,820)	1,210
Changes in financial assumptions	-	-
Estimated benefits paid	(720)	(1,590)
Past Service cost	-	-
Curtailments and settlements	-	190
<b>Defined benefit obligations at end of period</b>	<b><u>61,380</u></b>	<b><u>90,210</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>	55,870	46,700
Interest on plan assets	960	650
Return on plan assets	410	8,490
Employer contributions	1,770	1,280
Contributions by Scheme participants	340	340
Estimated benefits paid	(720)	(1,590)
<b>Fair value of plan assets at end of period</b>	<b>58,630</b>	<b>55,870</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 £166.70; 2 governors – David Mitchell £52.80 and Mike Welsh £113.90 (2021: £67.20; 1 governor –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 (2021: None).

Purchase transactions in the year relating to additional services provided by the Clerk to the Corporation, Womble Bond Dickinson LLP amounted to £73,609 (2021: £127,229). There were balances outstanding at the year-end of £3,733 (2021: £27,131)

Mr M Gannon (Governor) is a leader of Gateshead Council. Purchases in the year to 31 July 2022 totalled £90,168 (2021: £82,186). There were balances outstanding at the year-end of £6,500. The contract with Gateshead Council was negotiated at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

Mr M Gannon (Governor) is a Foundation Director and Chair of the Trust Board of Bishop Wilkinson Catholic Education Trust. The College sold a property to the Trust in the year to 31 July 2022, with sale price of £1.75m (2021: £0). There were no balances outstanding at the year-end. The contract with Bishop Wilkinson Catholic Education Trust was negotiated at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

## 24 Related party transactions (continued)

North East Apprenticeship Company is a wholly owned subsidiary of Gateshead College. During the year, there were no related party transactions between the companies. At the year end, North East Apprenticeship Company owed the College £0.

Gateshead College Foundation is a wholly owned subsidiary of Gateshead College. During the year, the College incurred Interest costs of £19,298 on the loan from Gateshead College Foundation to Gateshead College, and made repayments of £73,667. The Loan is repayable over a period of 15 years, with interest be charged at 1.50% above the Barclays Bank Base rate. At the year end, the College owed Gateshead College Foundation £952,966.

## 25 Amounts disbursed as agent - Learner support funds

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
16-18 bursary grants	817	656
Other bursary grants	95	120
Other Funding body grants	73	16
	<u>985</u>	<u>792</u>
Disbursed to students	(745)	(538)
Administration costs	(37)	(36)
	<u>203</u>	<u>218</u>
Balance unspent as at 31 July, included in creditors	<u>203</u>	<u>218</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.

