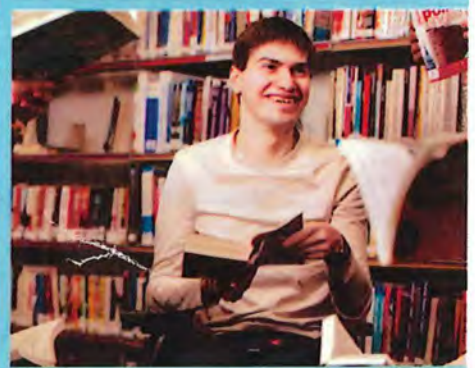


**GATESHEAD  
COLLEGE**  
EDUCATION  
WITH  
EMPLOYMENT  
EDGE



# **Annual Report and Financial Statements**

Year Ended 31 July 2023

# Gateshead College

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# Gateshead College

## Reference and Administrative Details

### Board of Governors

David Alexander (Principal/CEO)

Michael Wood-Williams (Independent Governor - Previous Vice Chair / Appointed as Chair of Board with effect from 27 April 2023)

Aneela Ali (Independent Governor - Appointed as Vice Chair with effect from 5 July 2023)

Martin Hedley (Independent Governor - Appointed as Vice Chair with effect from 5 July 2023)

David Brind (Independent Governor)

Lisa Crichton-Jones (Independent Governor)

Carol Davenport (Independent Governor)

Martin Gannon (Independent Governor)

Claire-Jane Rewcastle (Independent Governor)

Darren Curry (Independent Governor – Appointed 8 June 2023)

Sharon Kinleyside (Support Staff Governor)

Richard Wensley (Teaching Staff Governor – Appointed 15 March 2023)

Since 31 July 2023, there have been the following appointments:

Morgan Penaluna (Student Governor – Appointed 25 October 2023)

Will Berridge (Student Governor – Appointed 25 October 2023)

During the period 1 August 2022 – 31 July 2023, the following governors left:

Richard Rowe (Teaching Staff Governor – Resigned 27 January 2023)

Sarah Stewart (Independent Governor - Previous Chair of Board – Resigned 27 April 2023)

Gareth Edmunds (Independent Governor – Resigned 27 July 2023)

Roux Diablo (Student Governor – Term of office ended 31 July 2023)

Bradley Young (Student Governor – Appointed 13 December 2022 / Term of office ended 31 July 2023)

Since 31 July 2023, the follow governor left:

Alan Potter (Independent Governor – Resigned 1 December 2023)

Mike Welsh (Independent Governor – Resigned 1 December 2023)

### Clerk/Company Secretary

Womble Bond Dickinson LLP (resigned 2 November 2022)

Nicola Taylor (appointed 3 October 2022)

### **Executive team**

David Alexander	Principal and Chief Executive
Chris Toon	Deputy Principal: Curriculum and Quality
Jeremy Cook	Deputy Principal: Finance and Resources
Ivan Jepson	Director of Business Development and Innovation
Nadine Hudspeth	Director of Brand and Learner Experience
Deni Chambers	Director of Curriculum & Skills (from 7/11/2022)
Vicki Casey	Director of People and Organisational Development (from 1/1/2023)

### **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 Anderson Strathearn, 1 Rutland Court, Edinburgh, Lothian, EH3 8EY 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 2023.

### 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 2023; North East Apprenticeship Company Limited (NEAC) and Gateshead College Foundation.

### 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 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 7,400 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 1,055 apprentices and 122 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**

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 fifteen years.

The College maintenance programme was supported during the year by a £1,073k allocation provided by the FE College Capital Energy Efficiency & Reclassification Fund, and £261k provided by the FE Capital Transformation Fund, both from the Department for Education (DfE). All campuses will benefit from these funds, with the majority of the work to take place in the 2023-24 and 2024-25 financial years.

### *Financial*

The Group has net assets of £24,982k and no defined benefit pension liabilities (2022: net assets of £21,441k including defined benefit pension liabilities of £2,750k). The Group has bank debt of £4,769k (2022: £5,087k) and net current assets of £5,232k (2022: £2,978k).

### *People*

The College employed an average of 483 people (expressed as full time equivalents), of whom 257 are teaching staff (2022: 445 people of whom 252 were teaching staff).

### *Reputation*

The College continues to enjoy a good reputation both locally and nationally. There has been a clear focus during 2022-23 on continuing the progress made during 2020-21 and 2021-22 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 6 March 2023 that it would exit from Post-Intervention Monitoring and Support and return to standard college monitoring arrangements with immediate effect.

The College underwent a full Ofsted inspection during March 2023. The Ofsted report, which was published in May 2023, identified overall effectiveness as good and a strong contribution to meeting skills needs. Safeguarding arrangements were reported as effective.

## 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 2023 there were no material changes to the Colleges' estate.

### 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>2022-23</b>	<b>2021-22</b>	<b>%+/-</b>
	<b>Headcount</b>	<b>Headcount</b>	
16-18	2,689	2,735	-1.7%
19+	3,547	3,173	+11.8%
<b>Total FE</b>	<b>6,222</b>	<b>5,908</b>	<b>+5.3%</b>
<b>Apprentices</b>	<b>Headcount</b>	<b>Headcount</b>	
16-18	490	533	-8.1%
19+	565	732	-22.8%
<b>Total apprentices</b>	<b>1,055</b>	<b>1,265</b>	<b>-16.6%</b>



<b>Further Education</b>	<b>2022-23</b>	<b>2021-22</b>	<b>%+/-</b>
<b>Higher Education</b>	<b>Headcount</b>	<b>Headcount</b>	
<b>HE</b>	<b>126</b>	<b>172</b>	<b>-26.7%</b>
<b>Total</b>	<b>7,417</b>	<b>7,345</b>	<b>+1.0%</b>

### Student Achievement Rates

Student achievement rates as reported to the Board in the College's Self-Assessment Report for 2022/23 remain strong.

	<b>2022/23 Actual %</b>	<b>2022/23 National %*</b>	<b>2021/22 Actual %</b>	<b>2021/22 National %</b>
16-19	83.9	81.9	87.3	81.9
Apprenticeships	69.6	53.4	62.6	53.4
Adults	89.4	86.2	92.0	86.2

\*National rates for 2022/23 will be published in 2024

### 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). During the year, Local Skills Improvement Plans (LSIPs) covering the catchment area of the College were published; the North East LSIP and the North of Tyne LSIP. The requirements of these plans are included in the College's curriculum plan for 2023/24.

As part of revised arrangements with the DfE, the College also submitted its Accountability Framework (part of the Accountability Agreement) to the DfE in July 2023, setting out a number of objectives for the 2023/2024 year, aligning with the College Strategy.

The Board carried out its Duty to Review which was approved in October 2023.

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 stringently test its assumptions on 'Going Concern'. Governors have undertaken 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 3 financial years, with surpluses also projected for the next two financial years. Following a period of intervention, the College was placed in Post Intervention Monitoring and Support (PIMS) on 19 May 2022. PIMS ended on 6 March 2023 when the College returned to standard monitoring arrangements. Governors regularly scrutinise financial information and test assumptions, as well as identifying any challenges or risks at an early stage in order to ensure that appropriate actions and mitigations are implemented.

The Board has an agreed set of Board level and Committee level KPIs which it closely monitors, as well as considering the Strategic Risk Register (including horizon scanning) at each Board and Committee meeting.

## **Financial Objectives 2022/23**

- In July 2022 the Board of Governors approved a budget for 2022/23. The budget identified income of £32,613k, costs of £31,929k and an operating surplus of £684k. During 2022/23 the College generated income of £36,168k and delivered an operating surplus (excluding FRS102 pension income of £216k) of £785k. This enabled the College to generate a current ratio of 2.44 at 31 July 2023 rather than the anticipated 2.10.
- The approved 2022/23 budget identified that the College would achieve an ESFA financial health rating of 'outstanding' for the year to 31 July 2023. The in-year performance also 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' for 2022/23 and this was confirmed by the ESFA in November 2023.

## **Future Financial Objectives**

- To achieve the income target of £35,724k and operating surplus (excluding exceptional items) of £276k in the year to 31 July 2024.
- To achieve a current ratio of 2.16 at 31 July 2024.
- To maintain a minimum financial health rating of 'Good' during the year to 31 July 2024.
- To continue to implement the finance, risk management and procurement strategies that were approved by the Board during 2022/23.

## Performance Indicators

The College uses the following Key Performance Indicators (KPI's) to measure its performance. Performance at July 2023 is as reported to the Board in October 2023.

Strategic Theme	Key Performance Indicator - Headline Measure	July 2023 Update	Progress Tracking to Target	Target 2022/2023
<b>1. Learners</b>	1.1 Overall Effectiveness	Good (Ofsted March 2023)		Good
	1.2 Learner Attendance	86%		90%
	1.3 Learner Retention	92%		96%
	1.4 Apprentice In-Year Best Case Achievement	74%		64% (outturn)

Strategic Theme	Key Performance Indicator - Headline Measure	July 2023 Update	Progress Tracking to Target	Target 2022/2023
<b>2. People</b>	2.1 Staff Satisfaction	Staff Survey currently open but not yet closed		8
	2.2 Staff Turnover	20.5%		17.8% which is AoC Average figure 20/21
	2.3 Staff: Income Ratio (excluding additional pension costs)	65.9% actual to May 2023 64.6% projected to July 2023		67.4% (budget)

Strategic Theme	Key Performance Indicator - Headline Measure	July 2023 Update	Progress Tracking to Target	Target 2022/2023
<b>3. Partnership</b>	3.1 Ofsted Judgement of 'Contribution to Meeting Need'	Strong Contribution (Ofsted March 2023)		Strong Contribution

Strategic Theme	Key Performance Indicator – Headline Measure	July 2023 Update	Progress Tracking to Target	Target 2022/2023
4. Sustainability	4.1 ESFA Financial Health Rating (existing and proposed)	Outstanding		Outstanding
	4.2 Minimum Cash Balance in Each Month of the Year	Actual at May 2023 94 days Projection at July 2023 87 days		Exceed 31 Days
	4.3 Annual IT Capital Investment (against budget target)	Actual at May 2023 £80k Projection to July 2023 £380k		£372K (budget)
	4.4 Energy Consumption and Net Electricity Consumption	To April 2023 Electricity reduced by 8.30% Gas reduced by 6.2%		Reduce by 5%
	4.5 Comprehensive Governor Skills Matrix	Board Level: 42/44 skills areas rated 3 and above Committee Level: 33/38 skills areas rated 3.5 and above		Average score of 3 at Board Level / Average score of 3.5 at Committee Level

## FINANCIAL POSITION

### Financial Results

The consolidated operating surplus in the year was £1,001k (2021/22 deficit of £866k) after FRS102 income of £216k. Excluding the FRS102 income the College is reporting an operating surplus of £785k. During the year, £52k of staff restructuring costs were incurred (2021/22 £26k) plus interest charges (net of pension finance costs) of £348k (2021/22 £388k).

The College had two subsidiary companies as at 31 July 2023; North East Apprenticeship Company Limited and the Gateshead College Foundation.

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 2023 generating turnover of £982k and a pre-tax trading profit of £72k.

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 £48k in the year with a reduction in funds of £5k. The remaining funds as at 31 July 2023 were £1,123k.

Tangible fixed asset additions to the group during the year totalled £1,177k which represented ongoing improvements to facilities and equipment at all College campuses.

The Group has significant reliance on the Education and Skills Funding Agency (ESFA) for its principal funding sources, largely from recurrent grants. In 2022/2023 the ESFA provided 77.5% of the College's total income, £27,998k from total income of £36,138k (2021/22 81.9%, £25,124k from £30,665k).

### **Treasury Policies and Objectives**

The Group has treasury management arrangements in place to manage cashflows, banking arrangements and the risk associated with those activities.

### **Cash Flow**

There was an operating inflow of cash in 2022/23 of £1,988k (2021/22 inflow of £3,401k). After investing and financing activities cash and cash equivalents increased by £912k during the year (2021/22 decrease of £558k).

### **Liquidity**

There was no additional funding received from other external sources and standard scheduled loan repayments to Barclays of £318k were made during the year.

The College has borrowings of £4,769k at 31 July 2023 (2021/22 £5,088k) relating to a fixed-rate loan from Barclays. This was renegotiated and signed in December 2021 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.

## **Reserves Policy**

During 2022/23 the Board approved a Finance Strategy including a Reserves Policy. The Reserves Policy recommends that the College holds, at all times, a minimum unrestricted cash balance equivalent to the costs of 31 days of operations. The College met this require at all times during 2022/23.

As at the balance sheet date the Group Income and Expenditure reserve stands at £24,982k, with no defined benefit pension obligations (2022: £24,191k reducing to £21,441k after taking into account Defined Benefit Obligations of £2,750k). The Defined Benefit Scheme liabilities decreased by £2,750k following the annual actuarial re-calculation, largely as a result of an increase in the discount rate, which represents the expected medium to long-term gains from corporate bonds.

The Finance Strategy underpins the Strategic Plan and contains six objectives. Gateshead College will:

- assess financial needs and resource requirements in order to plan for continued development and improvement while ensuring that all activities remain sustainable and viable.
- maintain a sound financial base by operating within agreed budgets and meeting obligations relating to loans, leases and pension funds.
- improve the College's asset base.
- produce clear, timely and accurate monthly financial management information.
- maintain the confidence of funding bodies, pension funds, customers, suppliers and professional advisers.
- continue to raise awareness of financial issues across the College.

## **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. The amount transferred under deed of covenant in 2022/23 was £31,335 (2021/22: £27,928).

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The Group has well developed strategies for managing risk and embeds risk management in all that it does. Risk management processes are designed to protect learners, staff, 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, the actions being taken to reduce and mitigate the risks and sources of assurance that demonstrate that the risk is being effectively managed. Risks are measured using a consistent scoring system.

The key risks identified in the College's strategic risk register by strategic theme are:

### **Learners:**

- Inability to deliver planned, high quality, curriculum provision leads to failure to meet student outcome and progression targets.
- Inability to successfully deliver planned curriculum provision leads to failure to meet income and funding targets.
- Failure to meet statutory requirements relating to Safeguarding, Prevent, Special Educational Needs and Disabilities (SEND) and the protection of young people and vulnerable adults.

### **People:**

- Failure to recruit, retain, develop and support high calibre staff impacts adversely on the College's capacity to deliver, leading to reputational damage and financial loss.

### **Partnerships:**

- Failure to deliver the 2023-24 subcontracting plan and comply with ESFA funding requirements, including the subcontracting threshold for non-devolved AEB agreed with the ESFA for the year. Non-compliance risks recovery of funding.

## **Sustainability:**

- Failure to achieve an ESFA financial health rating of 'Good' or better as a result of poor financial performance leads to further intervention and reputational damage.
- IT Infrastructure - failure to invest in a way which does not capitalise on new ways of learning/working/collaborating.
- Insufficient resilience to the threat of a cyber-attack leads to one or more of loss of data, fraud, business interruption, legal sanction and reputational damage.
- Inadequate disaster recovery/business continuity planning impacts on the College's capacity to deliver to students and maintain services leading to reputational damage and financial loss.
- Inadequate or inappropriate Board oversight resulting in statutory breaches and/or failure to adequately hold the Executive Team to account.
- Gateshead Council's options appraisal of Gateshead International Stadium (GIS) results in recommendations and decisions which negatively impact recruitment of learners and delivery of provision.
- Failure to mitigate the College's impact on the environment will adversely impact future generations and undermine our reputation.
- Failure to prepare for the full impact and consequences (expected in 2024/25) of the reclassification of FE Colleges as public sector organisations undermines planning, reporting, financial management, audit and governance leading to potential intervention and reputational damage.
- Failure to progress and deliver the new College strategic plan results in reputational damage.

## **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 and Diversity Policy is published on the College's intranet site.

The College publishes an Equality and Diversity Annual Statement 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 considers all employment applications from people with disabilities, 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 Access and Participation 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
3	3.0

Percentage of time	Number of employees
0%	0
1-50%	3
51-99%	0
100%	0

Total cost of facility time	£38,602
Total pay bill	£19,870,000
Percentage of total bill spent on facility time	0.19%

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 2025. The forecasts are based on actual enrolments in 2023/24 and, where appropriate, quantify their anticipated impact on funding allocations and costs in 2024/25. These projections have been shared with Lloyds and Barclays banks.

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**

There were no events after the reporting period.

#### **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 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M Wood-Williams', with a long horizontal flourish extending to the right.

Michael Wood-Williams

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 2022 to 31<sup>st</sup> July 2023 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 accordance with the guidance to Colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the 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 2023. This opinion is based on an internal review of the Code, reported to the Governance Committee in June 2023. 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 adopted Code of Good Governance for English Colleges issued by the Association of Colleges as updated in September 2021. The updated Code was presented to the Governance Committee in November 2021 in advance of being brought to the attention of the full Board for adoption in December 2021.

### 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 2022/23
David Alexander	28/06/2021	N/A – Ex-officio	N/A	CEO & Principal	Governance Committee People & Remuneration Committee (People related)	Overall 90.48% Board 100%

Appointee	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2022/23
					items only - This Committee separated from 01/09/2023) Curriculum & Quality Standards Committee Finance & General Purposes Committee	
Sarah Stewart	01/10/2018 (reappointed 06/07/2022)		27/04/2023	Previous Chair of the Corporation Board	Governance Committee (Chair) People & Remuneration Committee Curriculum & Quality Standards Committee	Overall 100% Board 100%
Michael Wood-Williams	27/01/2021	4 years	N/A	Chair of the Corporation Board (with effect from 27/04/2023) Previously Vice-Chair and Chair of the Audit Committee (up until 27/04/2023)	Governance Committee Curriculum & Quality Standards Committee People & Remuneration Committee (with effect from 27/04/2023 - This Committee separated from 01/09/2023) Audit Committee (up until 27/04/2023)	Overall 100% Board 100%
Aneela Ali	14/02/2020	4 years	N/A	Independent Governor Vice Chair (with effect	Curriculum & Quality Standards Committee	Overall 75% Board 50%

Appointee	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2022/23
				from 05/07/2023)	Audit Committee	
Martin Hedley	26/03/2020	4 years	N/A	Independent Governor Vice Chair (with effect from 05/07/2023)	Finance & General Purposes Committee	Overall 100% Board 100%
David Brind	23/12/2020	4 years	N/A	Independent Governor	Finance & General Purposes Committee	Overall 81.82% Board 75%
Carol Davenport	23/12/2020	4 years	N/A	Independent Governor	Curriculum & Quality Standards Committee Governance Committee (with effect from 01/09/2023)	Overall 87.5% Board 100%
Lisa Crichton-Jones	01/08/2021	4 years	N/A	Independent Governor	People & Remuneration Committee <i>This Committee separated from 01/09/2023 to:</i> <i>People Committee (Chair with effect from 01/09/2023)</i> <i>Remuneration Committee (Chair with effect from 01/09/2023)</i>	Overall 88.89% Board 100%
Martin Gannon	01/05/2018 (reappointed 06/07/2022)	4 years (previous term of 4 years)	N/A	Independent Governor	Governance Committee	Overall 42.86% Board 50%
Mike Welsh	01/06/2022	4 years	01/12/2023	Independent Governor	Curriculum & Quality Standards	Overall 100% Board 100%

Appointee	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2022/23
					Committee (Chair)	
Alan Potter	06/04/2022	4 years	01/12/2023		Finance & General Purposes Committee	Overall 80% Board 75%
Claire-Jane Rewcastle	01/10/2018 (reappointed 06/07/22)	4 years (previous term of 4 years)	N/A	Independent Governor	People & Remuneration Committee (Chair between 01/08/2022 and 31/07/2023 - This Committee separated from 01/09/2023) Governance Committee Curriculum & Quality Standards Committee (with effect from 01/09/2023)	Overall 91.67% Board 75%
Darren Curry	08/06/2023	4 years (previous co-opted term of 1 year)	N/A	Independent Governor (previously a co-opted member of the Audit Committee)	Audit Committee	Overall 100% Board 100%
Gareth Edmunds	01/08/2021	4 years	27/07/2023	Independent Governor	Finance & General Purposes Committee	Overall 63.64% Board 75%
Sharon Kinleside	18/03/2022	2 years	N/A	Staff Governor	Finance & General Purposes Committee	Overall 70% Board 75%
Richard Wensley	15/03/2023	2 years	N/A	Staff Governor	Curriculum & Quality Standards Committee People Committee (with	Overall 100% Board 100%

Appointee	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2022/23
					effect from 01/09/2023)	
Richard Rowe	30/05/2022	2 years	27/01/2023	Staff Governor	Curriculum & Quality Standards Committee	Overall 100% Board 100%
Roux Diablo	15/12/2021		31/07/2023	Student Governor	N/A	Overall 50% Board 50%
Bradley Young	13/12/2022		31/07/2023	Student Governor	N/A	Overall 66.67% Board 66.67%
Morgan Penaluna	25/10/2023	0.75 years	N/A	Student Governor	Curriculum & Quality Standards Committee	Appointed in 2023/2024 academic year
Will Berridge	25/10/2023	0.75 years	N/A	Student Governor	Curriculum & Quality Standards Committee	Appointed in 2023/2024 academic year

### 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 Board met four times during the year and governors also attended an additional two Strategy Days.

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 Committee.
- Finance and General Purposes Committee.
- Audit Committee.
- People and Remuneration Committee (separated into two separate committees with effect from 1 September 2023).
- Governance Committee.



Fully approved minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website or from the Director of Governance and Compliance at the College's address:

Gateshead College  
Baltic Campus  
Quarryfield Road  
Gateshead  
NE8 3BE

The Director of Governance and Compliance 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 Director of Governance and Compliance who is 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.

The Corporation has a Governance committee, consisting of members of the Corporation, which is responsible for the selection and nomination of any new independent governor for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

During the year, the following governors were appointed:

- Darren Curry – Appointed as an Independent Governor with a term of 4 years, previously a co-opted member of the Audit Committee.
- Richard Wensley – Appointed as a Staff Governor with a term of 2 years.

- Bradley Young – Appointed as a Student Governor with a term of 7 months (to the end of their studies).

The term of office for Roux Diablo (Student Governor) was extended to the length of their studies which was an additional 7 months to their original one year term.

Since 31 July 2023, the following governors were appointed:

- Morgan Penaluna – Appointed as a Student Governor
- Will Berridge – Appointed as a Student Governor

Members of the Corporation are appointed for a term of office not exceeding four years, with the opportunity to be reappointed up to a maximum of 8 years unless there are exceptional circumstances.

During the year, the following positions were appointed:

- Michael Wood-Williams – Appointed as the Chair of the Corporation Board with effect from 27 April 2023.
- Martin Hedley – Appointed as a Vice Chair of the Corporation Board with effect from 5 July 2023.
- Aneela Ali – Appointed as a Vice Chair of the Corporation Board with effect from 5 July 2023.

### **Corporation Performance**

An Internal Audit on Corporate Governance was carried out by Wylie & Bissett in May 2023, with the report being graded as Strong Assurance.

During the year, the Governance Committee were presented with reports setting out compliance and suggested actions following a review against the AoC Code of Good Governance and the DfE FE Governance Guide.

An internal Board self-assessment for 2022/2023 was carried out in October 2023. The process for the Board self-assessment was approved by the Governance Committee in June 2023. The results were reported to the November 2023 Governance Committee and a summary of the overall assessment including proposed actions was presented to the Board in December 2023.

An External Governance Review took place from July 2023 – December 2023. This review was undertaken by Shirley Collier (via the AoC). The report arising from this review was presented to the Board in December 2023.

Throughout the year, the following training and development opportunities have been undertaken by governors:

<b>Activity / Event</b>	<b>Date</b>
AoC Chair of Committee Masterclasses (Finance, Audit & Curriculum) - Committee Chairs	Sessions throughout 2022/2023
AoC Governor Induction Sessions - New appointments	Sessions throughout 2022/2023
AoC Conference - Previous Chair and Principal	November 2022
AoC Student Governor Training Session - Student Governor	January 2023
AoC Student Governor Induction Session - Student Governor	January 2023
AoC Northern Ofsted Roadshow - Chair	March 2023
FEC "Just one thing" Class of 2022/2023 Event - Chair	June 2023
AoC Governors Summit - Chair	June 2023
AoC Principals' and Chairs' Network - Chair and Principal	Meetings throughout 2022/2023
AoC Chair's Network - Chair	Meetings throughout 2022/2023
AoC National Chairs Council - Previous Chair and Current Chair	Meetings throughout 2022/2023
Autumn Board Strategy Day (College event)	October 2023
Spring Board Strategy Day (College event)	April 2023
Community Conversation (College event)	April 2023
Autumn Board Strategy Day (College event)	October 2023
AoC Conference - Chair and Principal	November 2023

Mandatory Training for governors includes:

- Safeguarding (including Keeping Children Safe in Education and elements of Prevent) - To be completed upon appointment and annually thereafter.
- Prevent - To be completed upon appointment and bi-annually thereafter.
- Health & Safety - To be completed upon appointment and bi-annually thereafter.
- GDPR - To be completed upon appointment and bi-annually thereafter.

The Corporation Board appointed a Director of Governance & Compliance (Senior Post Holder) in October 2022 following a review of the College governance structure. This

post holder replaced the external clerking arrangement with Womble Bond Dickinson which finalised in November 2022.

Throughout the year, the following training and development opportunities have been undertaken by the Director of Governance & Compliance:

<b>Activity / Event</b>	<b>Date</b>
AoC Expert Level Programme	Achieved
EtF Governance Professionals' Award	Achieved – Distinction Awarded
AoC North East Governance Professionals Network	Meetings throughout 2022/2023
AoC Equality, Diversity and Inclusion: Student Voice Webinar	December 2022
AoC Conference	November 2022
AoC Governance Professionals' Conference	January 2023
AoC Code of Good Governance Working Group	Meetings throughout 2022/2023
Mentoring with a National Leader of Governance	Meetings throughout 2022/2023
Online Events - Governance Professionals Development Workshops with Kay White	Sessions throughout 2022/2023
Regional Governance Conferences 22/23	November 2022
Online Event - Diversity, Equity and Inclusion On Trustee Boards – How Diverse Is Your Charity's Board	November 2022
NEECC Future Leaders Forum	Meetings throughout 2022/2023
AoC Student Governor Training (attendance to support Student Governors)	January 2023
AoC Student Governor Induction (attendance to support Student Governors)	January 2023
Accountability Agreement DfE webinar	February 2023
FEC "Just one thing" Class of 2022/2023 Event - Chair	June 2023
AoC Governors Summit	June 2023

## Remuneration Committee

Throughout the year ending 31 July 2023 the College's People & Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of Senior Post Holders (SPH). Although the Principal is a member of the Committee, this relates to People items only. For 2023/2024, the People & Remuneration Committee has been separated to become two committees, the Remuneration Committee and the People Committee, to ensure greater separation.

At the December 2022 meeting, the People & Remuneration Committee Annual Report was presented which set out compliance with the AoC Senior Staff Remuneration Code. At the March 2023 Board meeting, the Board approved the Statement of non-adoption of the HE Senior Staff Remuneration Code, setting out that the Corporation had instead adopted the AoC Senior Staff Remuneration Code.

Details of remuneration for the year ended 31 July 2023 are set out in note 7 to the financial statements.

The members of the Committee and their attendance records are shown below:

<b>Committee Member</b>	<b>Attendance in 2022/2023</b>
Claire-Jane Rewcastle	5/5 – 100%
Lisa Crichton-Jones	4/5 – 80%
Sarah Stewart	4/4 – 100%
Michael Wood-Williams	2/2 – 100%
David Alexander (Committee member for People items only).	3/4 – 75%

## Audit Committee

As at 31 July 2023, the Audit Committee comprised four members; three members of the Corporation (excluding the Accounting Officer and Chair) and one co-optee. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee met four times during the year (including a joint meeting with the Finance & General Purposes Committee) 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 oversees the operation of the College's risk management framework. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

The Audit Committee also advises the Corporation on the appointment of internal auditors, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation. During 2022/2023, the Audit Committee recommended the reappointment of Wylie & Bisset (Internal Auditors) and Mazars (External Auditors) to the end of the 2024/2025 academic year. This was approved by the Board on 5 July 2023.

The members of the Committee and their attendance records are shown below:

<b>Committee Member</b>	<b>Attendance in 2022/2023</b>
Michael Wood Williams	3/3 - 100%
Aneela Ali	4/4 - 100%
Darren Curry <i>Appointed to the Committee as an Independent Governor with effect from 8 June 2023, previously a co-opted member</i>	4/4 - 100%
Carol Davenport <i>Temporarily co-opted to the Audit Committee whilst recruitment is underway to appoint a further Independent Corporation Member to the Committee</i>	1/1 - 100%
Jennifer Boyle (Co-opted Committee Member)	3/4 - 75%

### **Finance and General Purposes Committee**

The purpose of the Finance and General Purposes Committee, as per the Committee's terms of reference is:

To oversee the College's financial governance, its statements of income and expenditure and the effective use of all resources.

As at 31 July 2023 the College's Finance and General Purposes Committee comprised 4 members of the Corporation.

The Finance and General Purposes Committee met 7 times during the academic year, including a joint meeting with the Audit Committee.

<b>Committee Member</b>	<b>Attendance in 2022/2023</b>
Martin Hedley	7/7 – 100%
David Alexander (Principal / CEO)	6/7 – 85.71%
David Brind	6/7 – 85.71%
Alan Potter	6/7 – 85.71%
Sharon Kinleyside	5/7 – 71.43%
Gareth Edmunds	4/7 – 57.14%

### **Curriculum and Quality Standards Committee**

The purpose of the Curriculum and Quality Standards Committee, as per the Committee's terms of reference is:

To oversee, advise and report to the board of governors of the Corporation on all education and quality matters which relate to the operation of Gateshead College and its provision to learners.

As at 31 July 2023 the College's Curriculum and Quality Standards Committee comprised of 6 members of the Corporation.

The Curriculum and Quality Standards Committee met 4 times during the academic year, with attendance as follows:

<b>Committee Member</b>	<b>Attendance in 2022/2023</b>
Mike Welsh	4/4 – 100%
David Alexander (Principal / CEO)	4/4 – 100%
Aneela Ali	3/4 – 75%
Michael Wood-Williams	4/4 – 100%
Carol Davenport	3/4 – 75%
Sarah Stewart	3/3 – 100%
Richard Rowe	1/1 – 100%
Richard Wensley	1/1 – 100%

### **Governance Committee**

The purpose of the Governance Committee, as per the Committee's terms of reference is:

To ensure the College's governance structure is sound and effective.

As at 31 July 2023 the Governance Committee comprised of 4 members of the Corporation.

The Governance Committee met 3 times during the academic year, with attendance as follows:

<b>Committee Member</b>	<b>Attendance in 2022/2023</b>
Michael Wood-Williams	3/3 – 100%
David Alexander	3/3 – 100%
Martin Gannon	1/3 – 33.33%
Claire-Jane Rewcastle	3/3 – 100%
Sarah Stewart	2/2 – 100%

## **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 between the College and the funding bodies. The Principal 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 based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

### **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 2023 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.



The Strategic Risk Register is considered at each Board and Committee meeting, and the Board approve the College Risk Management Policy. A Risk Management Annual Report was submitted to the Audit Committee, along with a revised Risk Management Policy in November 2023, with the policy being recommended and was approved by the Board in December 2023.

### **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.

### **Responsibilities under Funding Agreements**

The Department for Education and Education and Skills Funding Agency introduced new controls for the College on 29 November 2022 on the day that the Office for National Statistics reclassified colleges as public sector organisations in the national accounts. The ESFA chief executive communicated these changes to all college accounting officers and explained plans to introduce a college financial handbook in 2024. The College has reviewed its policies, procedures and approval processes in line with these new

requirements to ensure there are systems in place to identify and handle any transactions for which DfE approval is required.

### **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 2022/23 and up to the date of the approval of the financial statements are:

- Curriculum Planning
- Cyber Security
- Overall Financial Controls
- Learner Numbers - Apprenticeships
- Corporate Governance
- Follow-up of previous recommendations

The reports made a total of 14 recommendations of which 1 was categorised as medium and 13 as low. There were no high category recommendations. A rolling audit action implementation plan is in place to ensure that all recommendations have been or will be implemented, and this is reviewed at each meeting of 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.

### **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, the reporting accountant for regularity assurance, the appointed funding auditors 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.

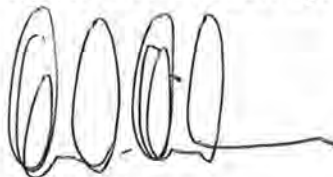
The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within departments and reinforced by risk awareness training. The Executive Team and the Audit Committee 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 Executive Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2023 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2023.

The Department for Education and Education and Skills Funding Agency introduced new controls for the College on 29 November 2022 on the day that the Office for National Statistics reclassified colleges as public sector organisations in the national accounts. The ESFA chief executive communicated these changes to all college accounting officers and explained plans to introduce a college financial handbook in 2024. The College has reviewed its policies, procedures and approval processes in line with these new requirements to ensure there are systems in place to identify and handle any transactions for which DfE approval is required.

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 2023 and signed on its behalf by:**



Michael Wood-Williams  
Chair



David Alexander  
Accounting Officer

# Gateshead College

## Statement of Regularity, Propriety and Compliance

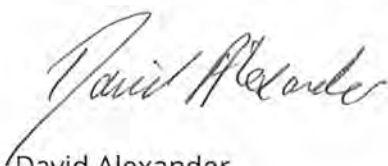
As Accounting Officer, I confirm that the Corporation has had due regard to the framework of authorities governing regularity, priority and compliance, and the requirements of grant funding agreements and contracts with ESFA, and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with those authorities and terms and conditions of funding.

I confirm on behalf of the Corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the Corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the Corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

I confirm that no instances of material irregularity, impropriety, funding non-compliance, or non-compliance with the framework of authorities have been discovered to date. If any instances are identified after the date of this statement, these will be notified to ESFA.

## Statement of the Chair of Governors

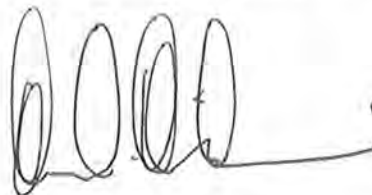
On behalf of the Corporation, I confirm that the Accounting Officer has discussed their statement of regularity, propriety and compliance with the Board and that I am content that it is materially accurate.



David Alexander

Accounting Officer

Date: 13 December 2023



Michael Wood-Williams

Chair of Governors

Date: 13 December 2023

# Gateshead College

## Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Corporation's grant funding agreements and contracts with ESFA and OfS, the Corporation is required to prepare financial statements which give a true and fair view of the financial performance and position of the Corporation for the relevant period. Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice.

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 (which must be consistent with other disclosures in the accounts and auditor's report);
- 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.

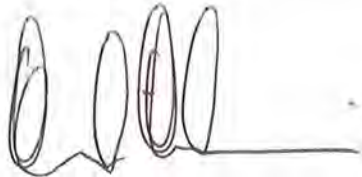
The Corporation is also required to prepare a strategic report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the Corporation.

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Corporation 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 its website(s); the work carried out by auditors does not involve consideration of these matters and, accordingly, auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the Corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. 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 economic, 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 ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 13 December 2023 and signed on its behalf by:

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

Michael Wood-Williams

Chair of Governors

# Gateshead College

## Independent Auditors' Report to the Members 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 2023 which comprise the Group and College Statement of Comprehensive Income and Expenditure, the Group and College Statement of Changes in Reserves, the Group and College Balance Sheet, the Group 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 Group's and College's affairs as at 31 July 2023 and of the Group's and College's surplus of income over expenditure 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 Group and 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 Group's and 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 directors 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 38, 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 Group's and 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 Group or 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 Group and the College and their 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 Group and 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 Group and 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.

### **Other required reporting**

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

In our opinion, in all material respects:

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


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

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

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated.

### **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 Group and the College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.

  
Mazars LLP (Dec 18, 2023 15:52 GMT)

### **MAZARS LLP**

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

Date: 18 December 2023

# **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 ("ESFA")**

In accordance with the terms of our engagement letter dated June 2023 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 2022 to 31 July 2023 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 2022 to 31 July 2023 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.

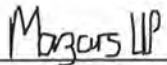
The work undertaken to draw to our conclusion includes:

- 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 2022 to 31 July 2023 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

Signed:

  
Mazars LLP (Dec 18, 2023 15:52 GMT)

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

Date: 18 December 2023

# Gateshead College

## Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2023		Year ended 31 July 2022	
		Group £'000	College £'000	Group £'000	College £'000
<b>INCOME</b>					
Funding body grants	2	28,441	28,441	25,981	25,981
Tuition fees and education contracts	3	5,685	4,728	2,903	2,454
Other grants and contracts	4	1,141	1,141	866	820
Other income	5	828	803	914	910
Investment Income	6	43	43	-	-
Donations and Endowments	6	-	31	-	28
<b>Total income</b>		<b>36,138</b>	<b>35,187</b>	<b>30,664</b>	<b>30,193</b>
<b>EXPENDITURE</b>					
Staff costs	7	19,870	18,990	18,955	18,491
Restructuring costs	7	52	52	26	26
Other operating expenses	8	12,410	12,327	9,352	9,311
Depreciation	11	1,975	1,975	2,229	2,229
Impairment	11	402	402	-	-
Interest and other finance costs	9	428	476	968	988
<b>Total expenditure</b>		<b>35,137</b>	<b>34,222</b>	<b>31,530</b>	<b>31,045</b>
<b>Surplus / (Deficit) before other gains and losses</b>		<b>1,001</b>	<b>965</b>	<b>(866)</b>	<b>(852)</b>
Gain on disposal of assets	11	-	-	1,648	1,648
<b>Surplus before tax</b>		<b>1,001</b>	<b>965</b>	<b>782</b>	<b>796</b>
Taxation	10	-	-	-	-
<b>Surplus for the year</b>		<b>1,001</b>	<b>965</b>	<b>782</b>	<b>796</b>
Actuarial gain in respect of pensions	23	2,540	2,540	33,518	33,518
<b>Total Comprehensive Income for the year</b>		<b>3,541</b>	<b>3,505</b>	<b>34,300</b>	<b>34,314</b>
<b>Represented by:</b>					
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive income		3,541	3,505	34,300	34,314
		<b>3,541</b>	<b>3,505</b>	<b>34,300</b>	<b>34,314</b>
<b>Surplus for the year attributable to:</b>					
Group		<b>1,001</b>	<b>965</b>	<b>782</b>	<b>796</b>
<b>Total Comprehensive Income for the Group</b>					
		<b>3,541</b>	<b>3,505</b>	<b>34,300</b>	<b>34,314</b>

All items of income and expenditure relate to continuing activities.

# Gateshead College

## Consolidated and College Statement of Changes in Reserves

Group	Income and expenditure account £'000	Total £'000
<b>Balance at 1 August 2021</b>	(12,859)	(12,859)
Surplus from the income and expenditure account	782	782
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>	21,441	21,441
Surplus from the income and expenditure account	1,001	1,001
Other comprehensive income	2,540	2,540
Transfers between revaluation and income and expenditure reserves	-	-
<b>Total comprehensive income</b>	<u>3,541</u>	<u>3,541</u>
<b>Balance at 31 July 2023</b>	<u>24,982</u>	<u>24,982</u>
<b>College</b>		
<b>Balance at 1 August 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>	20,282	20,282
Surplus from the income and expenditure account	965	965
Other comprehensive income	2,540	2,540
Transfers between revaluation and income and expenditure reserves	-	-
<b>Total comprehensive income</b>	<u>3,505</u>	<u>3,505</u>
<b>Balance at 31 July 2023</b>	<u>23,787</u>	<u>23,787</u>



# Gateshead College

## Balance sheets as at 31 July 2023

	Notes	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
<b>Non-current assets</b>					
Tangible Fixed assets	11	41,340	41,307	42,540	42,540
		<b>41,340</b>	<b>41,307</b>	<b>42,540</b>	<b>42,540</b>
<b>Current assets</b>					
Stocks		7	7	10	10
Trade and other receivables	13	2,074	2,039	1,628	1,597
Investments	12	-	-	-	-
Cash and cash equivalents	18	8,262	8,005	7,350	7,165
		<b>10,343</b>	<b>10,051</b>	<b>8,988</b>	<b>8,772</b>
<b>Creditors – amounts falling due within one year</b>	14	(5,111)	(5,176)	(6,010)	(6,074)
<b>Net current assets</b>		<b>5,232</b>	<b>4,875</b>	<b>2,978</b>	<b>2,698</b>
<b>Total assets less current</b>		<b>46,572</b>	<b>46,182</b>	<b>45,518</b>	<b>45,238</b>
Creditors – amounts falling due after more than one year	15	(21,110)	(21,915)	(20,797)	(21,676)
<b>Provisions</b>					
Defined benefit obligations	17	-	-	(2,750)	(2,750)
Other provisions	17	(480)	(480)	(530)	(530)
<b>Total net assets</b>		<b>24,982</b>	<b>23,787</b>	<b>21,441</b>	<b>20,282</b>
<b>Unrestricted Reserves</b>					
Income and expenditure account		24,982	23,787	21,441	20,282
Revaluation reserve		-	-	-	-
<b>Total unrestricted reserves</b>		<b>24,982</b>	<b>23,787</b>	<b>21,441</b>	<b>20,282</b>
<b>Total reserves</b>		<b>24,982</b>	<b>23,787</b>	<b>21,441</b>	<b>20,282</b>

The financial statements on pages 47 to 80 were approved and authorised for issue by the Corporation on 13 December 2023 and were signed on its behalf on that date by:



Michael Wood-Williams

Chair of Governors



David Alexander

Accounting Officer

# Gateshead College

## Consolidated Statement of Cash Flows

	Notes	2023 £'000	2022 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		1,001	782
<b>Adjustment for non-cash items</b>			
Depreciation	11	1,975	2,229
Impairment	11	402	-
(Increase) in stocks		(3)	(6)
(Increase) in debtors	13	(446)	(142)
(Decrease)/Increase in creditors due within one year	14	(986)	268
Increase/(decrease) in creditors due after one year	15	-	-
(Decrease) in provisions	17	(50)	(120)
Pensions costs less contributions payable	23	(290)	1,070
<b>Adjustment for investing or financing activities</b>			
Investment income		(43)	-
Interest payable	9	428	968
Taxation paid		-	-
Gain on sale of fixed assets	11	-	(1,648)
<b>Net cash flow from operating activities</b>		<u>1,988</u>	<u>3,401</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	1,755
Investment income		43	-
Capital Grants (Released / Repaid)		724	(331)
Payments made to acquire fixed assets	11	(1,177)	(1,935)
		<u>(410)</u>	<u>(511)</u>
<b>Cash flows from financing activities</b>			
Interest paid	9	(348)	(388)
Repayments of amounts borrowed	16	(318)	(3,060)
		<u>(666)</u>	<u>(3,448)</u>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<u><b>912</b></u>	<u><b>(558)</b></u>
Cash and cash equivalents at beginning of the year		7,350	7,908
Cash and cash equivalents at end of the year		8,262	7,350

# 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 £4,769k of loans outstanding with Barclays Bank, repayable in instalments by 2034. Prior to authorising the financial statements the College has updated its forecasts including cash flow projections for the period up to July 2025. The forecasts are based on actual enrolments in 2023/24 and, where appropriate, quantify their anticipated impact on funding allocations and costs in 2024/25. 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 the 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 2023.

#### *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 did not receive any laptops from the Department for Education to support disadvantaged learners in accessing remote learning.

- As the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a notional surplus. As management do not consider that the Group will be able to recover the surplus either through reduced contributions in the future or through refunds from the plan, the surplus has not been recognised in these financial statements in line with paragraph 28.22 of FRS102.

2 Funding body grants	Y/end 31 July 2023		Y/end 31 July 2022	
	Group £'000	College £'000	Group £'000	College £'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency – Adult Education Budget	5,508	5,508	4,644	4,644
Education and Skills Funding Agency – Apprenticeships	3,629	3,629	3,823	3,823
Devolved Authorities – Adult Education Budget	1,430	1,430	1,133	1,133
Education and Skills Funding Agency – 16 - 16-19 classroom based	15,556	15,556	14,421	14,421
Office for students	192	192	160	160
<b>Specific grants</b>				
Education and Skills Funding Agency – European Funds	395	395	125	125
Teacher Pension Scheme contribution	594	594	523	523
Education and Skills Funding Agency – Other Grants *	653	653	682	682
Releases of government capital grants	481	481	470	470
HE grant	3	3	-	-
<b>Total</b>	<b>28,441</b>	<b>28,441</b>	<b>25,981</b>	<b>25,981</b>

\* Education and Skills Funding Agency – Other Grants includes the following Covid-19 response funding: 16-19 Covid Tuition Fund £90k (2022: £180k), Covid Testing Funding £0k (2022: £34k) and 16-19 High Value Courses premium £119k (2022: £58k).

### 3 Tuition fees and education

	Y/end 31 July		Y/end 31 July	
	2023	2023	2022	2022
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	312	312	189	189
Apprenticeship contracts	166	166	163	163
Fees for FE loan supported courses	402	402	543	543
Fees for HE loan supported courses	612	612	762	762
<b>Total tuition fees</b>	<b>1,492</b>	<b>1,492</b>	<b>1,657</b>	<b>1,657</b>
Education contracts	4,193	3,236	1,246	797
<b>Total</b>	<b>5,685</b>	<b>4,728</b>	<b>2,903</b>	<b>2,454</b>

### 4 Other grants and contracts

	Y/end 31 July		Y/end 31 July	
	2023	2023	2022	2022
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grant income	903	903	592	546
Non-government capital grants	238	238	274	274
Coronavirus Job Retention Scheme grant	-	-	-	-
<b>Total</b>	<b>1,141</b>	<b>1,141</b>	<b>866</b>	<b>820</b>

### 5 Other income

	Y/end 31 July		Y/end 31 July	
	2022	2022	2022	2022
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	29	29	25	25
Other income generating activities	454	454	83	83
Miscellaneous income	345	320	466	462
Lennartz VAT Recovery	-	-	340	340
<b>Total</b>	<b>828</b>	<b>803</b>	<b>914</b>	<b>910</b>

### 6 Donations - College only

	Y/end	Y/end
	31 July	31 July
	2023	2022
	£'000	£'000
Unrestricted donations	31	28
<b>Total</b>	<b>31</b>	<b>28</b>

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

The Investment Income £43k (2022/23: £0k) was interest earned on current account balances.

## 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>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>
FTE		
Teaching staff	257	252
Non-teaching staff	226	193
	<b>483</b>	<b>445</b>
	<b>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>
Headcount		
Teaching staff	289	271
Non-teaching staff	275	226
	<b>564</b>	<b>497</b>
<b>Staff costs - Group</b>		
	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	15,136	13,304
Social security costs	1,355	1,201
Other pension costs	3,379	4,450
	<b>19,870</b>	<b>18,955</b>
<b>Payroll sub total</b>		
Contracted out staffing services	-	-
	<b>19,870</b>	<b>18,955</b>
Restructuring costs – Contractual	52	26
- Non contractual	-	-
	<b>19,922</b>	<b>18,981</b>
<b>Total Staff costs - Group</b>		

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

### Staff costs - College

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	14,261	12,841
Social security costs	1,355	1,200
Other pension costs	3,374	4,450
	<hr/>	<hr/>
<b>Payroll sub total</b>	<b>18,990</b>	<b>18,491</b>
Contracted out staffing services	-	-
	<hr/>	<hr/>
	<b>18,990</b>	<b>18,491</b>
Restructuring costs – Contractual	52	26
- Non contractual	-	-
	<hr/>	<hr/>
<b>Total Staff costs - College</b>	<b>19,042</b>	<b>18,517</b>
	<hr/>	<hr/>

The Corporation has 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, Curriculum and Marketing.

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

	<b>2023</b>	<b>2022</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)

Salary Band	Key management personnel		Other staff	
	2023	2022	2023	2022
£10,001 to £15,000 p.a.	-	1	-	-
£60,001 to £65,000 p.a.	-	-	2	3
£65,001 to £70,000 p.a.	-	-	1	1
£70,001 to £75,000 p.a.	-	-	-	1
£80,001 to £85,000 p.a.	1	2	-	-
£85,001 to £90,000 p.a.	2	1	-	-
£90,001 to £95,000 p.a.	1	-	-	-
£95,001 to £100,000 p.a.	-	1	-	-
£100,001 to £105,000 p.a.	1	-	-	-
£145,001 to £150,000 p.a.	-	1	-	-
£150,001 to £155,000 p.a.	1	-	-	-
	<u>6</u>	<u>6</u>	<u>3</u>	<u>5</u>

Key management personnel compensation is made up as follows:

	2023 £'000	2022 £'000
Basic salary	584	521
Performance related pay and bonus	-	-
Benefits in kind	-	-
Pension contributions	120	109
Total key management personnel compensation	<u>704</u>	<u>630</u>

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

	2023 £'000	2022 £'000
<b>Principal 1 (commenced 24 Feb 2020, left 31 Aug 2021)</b>		
Basic salary	-	13
Performance related pay and bonus	-	-
Other including benefits in kind	-	-
Pension contributions	-	3
Total – Principal 1	<u>-</u>	<u>16</u>

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

	2023 £'000	2022 £'000
<b>Principal 2 (commenced 28 Jun 2021)</b>		
Basic salary	153	150
Performance related pay and bonus	-	-
Other including benefits in kind	-	-
Pension contributions	31	31
Total – Principal 2	<u>184</u>	<u>181</u>
Overall Total	<u>184</u>	<u>197</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

	2023 £'000	2022 £'000
Principal's basic salary as a multiple of the median of all staff	5.1	5.1
Principal and CEO's total remuneration as a multiple of the median of all staff	5.1	5.1

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.

### Staff Severance Payments

The College Group/College paid 6 severance payments in the year, disclosed in the bands below:

Severance Payment Band	No. of Staff
£0 - £25,000	5
£25,001 - £50,000	1
£50,001 - £100,000	0
£100,001 - £150,000	0
£150,000+	0



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

Included in staff restructuring costs are special severance payments totalling £36,000 (2022: £26,000). Individually the payments were: £30,000 and £6,000.

## 8 Other operating expenses

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
Teaching costs	6,955	6,872	4,638	4,598
Non-teaching costs	3,217	3,217	2,883	2,882
Premises costs	2,238	2,238	1,831	1,831
<b>Total</b>	<b>12,410</b>	<b>12,327</b>	<b>9,352</b>	<b>9,311</b>

	2023 College £'000	2022 College £'000
<b>Other operating expenses include:</b>		
Auditors' remuneration:		
Financial statements audit*	62	56
Other services provided by the financial statements auditor (grant audits and taxation services)	9	12
Internal audit fees**	26	20
Other services provided by the internal auditors	5	2
Depreciation	1,975	2,229
Hire of assets under operating leases	60	-
Payments to Subcontractors	2,803	2,405

\* includes £61,806 in respect of the College (2022: £52,533)

\*\* includes £25,704 in respect of the College (2022: £20,458)

## 9 Interest and other finance costs – Group

	2023	2022
	£'000	£'000
On bank loans, overdrafts and other loans:	348	388
	<u>348</u>	<u>388</u>
Net interest on defined pension liability (note 23)	80	580
	<u>80</u>	<u>580</u>
<b>Total</b>	<b><u>428</u></b>	<b><u>968</u></b>

## 9 Interest and other finance costs – College

	2023	2022
	£'000	£'000
On bank loans, overdrafts and other loans:	348	388
On intercompany loans:	48	20
	<u>396</u>	<u>408</u>
Net interest on defined pension liability (note 23)	80	580
	<u>80</u>	<u>580</u>
<b>Total</b>	<b><u>476</u></b>	<b><u>988</u></b>

## 10 Taxation – Group only

	2023	2022
	£'000	£'000
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 from its activities during either year.

## 11 Tangible Fixed Assets (Group)

	Freehold	Long Leasehold	Equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2022	49,368	8,585	14,409	72,362
Additions	-	-	1,177	1,177
Impairment	(29)	-	(2,107)	(2,136)
<b>At 31 July 2023</b>	<b>49,339</b>	<b>8,585</b>	<b>13,479</b>	<b>71,403</b>
<b>Depreciation</b>				
At 1 August 2022	14,820	5,427	9,575	29,822
Charge for the year	987	198	790	1,975
Impairment	(10)	-	(1,724)	(1,734)
<b>At 31 July 2023</b>	<b>15,797</b>	<b>5,625</b>	<b>8,641</b>	<b>30,063</b>
<b>Net book value at 31 July 2023</b>	<b>33,542</b>	<b>2,960</b>	<b>4,838</b>	<b>41,340</b>
Net book value at 31 July 2022	34,548	3,158	4,834	42,540

## 11 Tangible Fixed Assets (College)

	Freehold	Long Leasehold	Equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2022	49,368	8,585	14,409	72,362
Additions	-	-	1,144	1,144
Impairment	(29)	-	(2,107)	(2,136)
<b>At 31 July 2023</b>	<b>49,339</b>	<b>8,585</b>	<b>13,446</b>	<b>71,370</b>
<b>Depreciation</b>				
At 1 August 2022	14,820	5,427	9,575	29,822
Charge for the year	987	198	790	1,975
Impairment	(10)	-	(1,724)	(1,734)
<b>At 31 July 2023</b>	<b>15,797</b>	<b>5,625</b>	<b>8,641</b>	<b>30,063</b>
<b>Net book value at 31 July 2023</b>	<b>33,542</b>	<b>2,960</b>	<b>4,805</b>	<b>41,307</b>
Net book value at 31 July 2022	34,548	3,158	4,834	42,540

## 12 Non-current investments

The North East Apprenticeship Company Limited was incorporated on 12th February 2010. The company's 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 Foundation's primary purpose is to act as the charitable arm of the College, providing support both financial and non-financial to Gateshead College learners.

### 13 Trade and other receivables

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2023</b>	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:				
Trade receivables	404	290	438	374
Amounts owed by group undertakings:				
Subsidiary undertakings	-	79	-	33
Prepayments and accrued income	856	856	849	849
Amounts owed by the ESFA	396	396	300	300
Other Debtors	418	418	41	41
<b>Total</b>	<b>2,074</b>	<b>2,039</b>	<b>1,628</b>	<b>1,597</b>

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

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2023</b>	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts (Note 16)	335	335	318	318
Trade payables	1,196	1,196	594	593
Amounts owed to group undertakings:				
Subsidiary undertakings *	-	74	-	74
Other taxation and social security	380	371	673	671
Accruals and deferred income	963	963	1,161	1,154
Deferred income - government capital grants	820	820	744	744
Amounts owed to the ESFA	1,030	1,030	1,761	1,761
Other Creditors	387	387	759	759
<b>Total</b>	<b>5,111</b>	<b>5,176</b>	<b>6,010</b>	<b>6,074</b>

\* 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.

## 15 Creditors: amounts falling due after one year

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2023</b>	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank Loans (Note 16)	4,435	4,435	4,769	4,769
Amounts owed to group undertakings **	-	805	-	879
Deferred income - government capital grants	16,675	16,675	16,028	16,028
<b>Total</b>	<b>21,110</b>	<b>21,915</b>	<b>20,797</b>	<b>21,676</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.

\*\* 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>2023</b>	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	335	335	318	318
Between one and two years	354	354	335	335
Between two and five years	1,186	1,186	1,122	1,122
In five years or more	2,894	2,894	3,313	3,313
<b>Total</b>	<b>4,769</b>	<b>4,769</b>	<b>5,088</b>	<b>5,088</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 obligation	Restructuring	Enhanced pensions	Other	
	£'000	£'000	£'000	£'000	
At 1 August 2022	2,750	-	530	-	3,280
Expenditure in the period	(1,980)	-	(50)	-	(2,030)
Additions in period	(770)	-	-	-	(770)
<b>At 31 July 2023</b>	<b>-</b>	<b>-</b>	<b>480</b>	<b>-</b>	<b>480</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:

	2023	2022
Price inflation	2.6%	2.5%
Discount rate	5.0%	3.4%

## 18 Cash and cash equivalents (Group)

	At 1 August 2022	Cash flows	Other changes	At 31 July 2023
	£'000	£'000	£'000	£'000
Cash and cash equivalents	7,350	912	-	8,262
Overdrafts	-	-	-	-
<b>Total</b>	<b>7,350</b>	<b>912</b>	<b>-</b>	<b>8,262</b>

	£'000	£'000	£'000	£'000
<b>Borrowings</b>				
Debt due within one year	318	(318)	335	335
Debt due after one year	4,770	-	(336)	4,434
<b>Total Borrowings</b>	<b>5,088</b>	<b>(318)</b>	<b>(1)</b>	<b>4,769</b>
<b>Grand Total</b>	<b>12,438</b>	<b>594</b>	<b>(1)</b>	<b>13,031</b>

## 19 Capital and other commitments

	Group and College	
	2023	2022
	£'000	£'000
Commitments contracted for at 31 July	-	-

## 20 Lease obligations

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

	Group and College	
	2023	2022
	£'000	£'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	24	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>24</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

There were no events after the reporting period.

## 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 2020 and the LGPS 31 March 2022.

<b>Total pension cost for the year</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Stakeholder Pension Scheme: contributions	5	2
Teachers' Pension Scheme: contributions	1,731	1,557
Local Government Pension Scheme:		
Contributions paid – College	1,939	1,821
FRS 102 (28) (credit)/charge	(290)	1,070
Charge to the Statement of Comprehensive Income	<u>1,649</u>	<u>2,891</u>
Enhanced pension charge to Statement of Comprehensive Income	(6)	-
<b>Total Pension Cost for Year within staff costs</b>	<b><u>3,379</u></b>	<b><u>4,450</u></b>

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

### **Teachers' Pension Scheme**

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

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education in October 2023. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222 billion giving a notional past service deficit of £40 billion.

As a result of the valuation, employer contribution rates were set at 23.68% of pensionable pay from September 2019 until September 2024, when contribution rates will increase by 5% to 28.68%. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2022-23 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 £1,731,000 (2022: £1,557,000)

## 23 Defined benefit obligations (continued)

### 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 2023 were £2,318,000, of which employer's contributions totalled £1,939,000 and employees' contributions totalled £379,000. The agreed contribution rates for future years are 19.5% 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 2022, updated to 31 July 2023 by Aon Solutions UK Limited.

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	4.1%	4.0%
Future pensions increases	2.6%	2.5%
Discount rate for scheme liabilities	5.0%	3.4%
Inflation assumption (CPI)	2.6%	2.5%
Pension accounts revaluation rate	2.6%	2.5%

## 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 2023 Years	At 31 July 2022 Years
<i>Retiring today</i>		
Males	21.0	21.8
Females	24.1	25.0
<i>Retiring in 20 years</i>		
Males	22.2	23.5
Females	25.5	26.7

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 2023	Fair Value at 31 July 2023 £'000	% Share of Assets at 31 July 2022	Fair Value at 31 July 2022 £'000
Equity instruments	51.1%	30,800	53.8%	31,543
Debt instruments	24.7%	14,880	24.6%	14,423
Property	10.3%	6,210	11.1%	6,508
Cash / Other	13.9%	8,370	10.5%	6,156
<b>Total fair value of plan assets</b>		<b>60,260</b>		<b>58,630</b>
<b>Weighted average expected long term rate of return</b>	<b>5.0%</b>		<b>3.4%</b>	
<b>Actual return on plan assets</b>		<b>650</b>		<b>820</b>

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

	2023 £'000	2022 £'000
Fair value of plan assets	60,260	58,630
Present value of plan liabilities	(50,220)	(61,380)
Notional surplus not recognised	(10,040)	-
<b>Net pensions asset/(liability) (note 17)</b>	<b>-</b>	<b>(2,750)</b>

## 23 Defined benefit obligations (continued)

As the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a notional surplus. As management do not consider that the Group will be able to recover the surplus either through reduced contributions in the future or through refunds from the plan, the surplus has not been recognised in these financial statements in line with paragraph 28.22 of FRS102.

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

	2023 £'000	2022 £'000
<b>Amounts included in staff costs</b>		
Current service cost	1,690	2,840
Less: Employer contributions	(1980)	(1,770)
<b>Total</b>	<b>(290)</b>	<b>1,070</b>
<b>Amounts included in finance costs</b>		
Net interest expense	60	570
Net interest expense unfunded enhanced pension scheme	20	10
	<b>(210)</b>	<b>1,650</b>
<b>Amount recognised in Other Comprehensive Income</b>		
Return on pension plan assets	(1,360)	410
Experience gains arising on defined benefit obligations	13,920	32,820
Less: Notional surplus not recognised	(10,040)	-
Actuarial gain on unfunded enhanced pension scheme	20	82
Reversal of subsidiary pension liability transferred in	-	206
<b>Amount recognised in Other Comprehensive Income *</b>	<b>2,540</b>	<b>33,518</b>

## 23 Defined benefit obligations (continued)

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

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit (liability) in scheme at 1 August	(2,750)	(34,546)
Movement in year:		
Current service cost	(1,690)	(2,840)
Employer contributions	1,980	1,770
Net interest on the defined	(60)	(570)
Actuarial gain	2,520	33,230
Liability transferred out	-	206
<b>Net defined benefit asset / (liability) at 31 July</b>	<b>-</b>	<b>(2,750)</b>

### Asset and Liability Reconciliation

	<b>2023</b>	<b>2022</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>	61,380	90,210
Current service cost	1,690	2,840
Interest cost	2,070	1,530
Contributions by Scheme participants	380	340
Experience gains and losses on defined benefit obligations	(13,920)	(32,820)
Estimated benefits paid	(1,380)	(720)
<b>Defined benefit obligations at end of period</b>	<b>50,220</b>	<b>61,380</b>
<b>Changes in fair value of plan assets</b>		
<b>Fair value of plan assets at start of period</b>	58,630	55,870
Interest on plan assets	2,010	960
Return on plan assets	(1,360)	410
Employer contributions	1,980	1,770
Contributions by Scheme participants	380	340
Estimated benefits paid	(1,380)	(720)
<b>Fair value of plan assets at end of period</b>	<b>60,260</b>	<b>58,630</b>

The figures included in note 23 include the impact of the McCloud remedy relating to the legal judgement that proposed changes to public sector pension schemes were discriminatory on the grounds of age.

## 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 £993.60; 1 governor – Mike Welsh (2022: £166.70; 2 governors – David Mitchell £52.80 and Mike Welsh £113.90). 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 (2022: None).

Purchase transactions in the year relating to additional services provided by the former Clerk to the Corporation, Womble Bond Dickinson LLP amounted to £33,884 (2022: £73,609). There were balances outstanding at the year-end of £0 (2022: £3,733)

Mr M Gannon (Governor) is a leader of Gateshead Council. Purchases in the year to 31 July 2023 totalled £73,152 (2022: £90,168). There were balances outstanding at the year-end of £472 (2022: £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 D Alexander is a board member of Beamish Museum. Purchases in the year to 31 July 2023 totalled £3,666 (2022:£0). There were balances outstanding at the year-end of £0 (2022: £0). The agreement with Beamish Museum was negotiated at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

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 £73,992 (2022: £0).

Gateshead College Foundation is a wholly owned subsidiary of Gateshead College. During the year, the College incurred Interest costs of £48,103 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 £878,670 (2022: £952,966).

## 25 Amounts disbursed as agent - Learner support funds

	2023	2022
	£'000	£'000
16-18 bursary grants	797	817
Other bursary grants	64	95
Other Funding body grants	74	73
	<u>935</u>	<u>985</u>
Disbursed to students	(727)	(745)
Administration costs	(34)	(37)
	<u>174</u>	<u>203</u>
Balance unspent as at 31 July, included in creditors		

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.