

South Tyneside College

**Annual Report and Financial Statements
for the Year Ended 31 July 2015**

South Tyneside College

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OPERATING AND FINANCIAL REVIEW NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31st July 2015.

Legal Status

The Board was established on 1st April 1993 under the Further and Higher Education Act 1992 for the purpose of conducting South Tyneside College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Board was incorporated as South Tyneside College.

Vision and Mission

Governors reviewed the College's vision and mission statements during 2014/15. The vision statement was agreed to continue as:

"To be an outstanding college providing world class education and training."

And the mission was also maintained as:

"Preparing people for the future."

Public Benefit

South Tyneside College is an exempt charity under Part 3 of the Charities Act 2011, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity are disclosed on pages 13 to 16.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its vision and mission, the College provides the following identifiable public benefits through its Strategic Aims which are stated below.

The delivery of public benefit is covered throughout the Operating and Financial Review.

Implementation of Strategic Plan

In July 2014 the College adopted a strategic plan for the period 1 August 2015 to 31 July 2018.

The strategic plan is reviewed and updated annually. The Board of Governors monitors the performance of the College against these plans. The College's strategic aims are to:

1. Provide high quality teaching and learning.

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2. Create a high quality learning environment.
3. Be financially sound, modernise and grow, providing outstanding value for money.
4. Provide a curriculum that meets the needs of all stakeholders in an ever changing world.
5. Work in partnership with employers, agencies and the community.

A series of strategic objectives have been developed for each strategic aim for the 2015-2018 plan. These are:

Strategic Objectives

Strategic Aim 1 - Provide high quality teaching and learning

1. continue to manage and support the development of teachers in the classroom to ensure teaching and learning is consistently outstanding.
2. further develop the use of ILT to support teaching and learning both on and off campus.
3. develop the tutorial programme to ensure the support learners receive is outstanding, demanding targets are set and overseas learners are fully supported.
4. continually review the teaching of higher-level skills to ensure compliance with the academic infrastructure for higher education.
5. continue to develop a strong staff development culture where training and development is focused on business needs.
6. continue to apply the highest professional standards to the employment, development and deployment of the people employed by the College.
7. develop and utilise externally validated quality systems to underline our commitment to high-quality training.

Strategic Aim 2 – Create a high quality learning environment

8. maintain the College campus to the highest standards to provide the best environment in which to work and study, review of the College's accommodation needs, making changes and providing new or improved facilities as determined.
9. develop a cross college timetabling approach to ensure maximum utilisation of College resources allowing funding to be targeted to provide improvements to facilities.
10. continue to focus on capital funding opportunities to provide new buildings and facilities over the longer term.

Strategic Aim 3 – Be financially sound, modernise and grow, providing outstanding value for money

11. maintain and develop a strong financial base to support the continued success of the College.
12. continue to ensure that the College receives and gives good value with the resources at its disposal.

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13. constantly review the organisational structure and delivery models to prepare for changes in funding and to place the College in a position of strength during times of cuts in public sector funding.
14. develop the College structures and staffing to ensure long-term prosperity by shaping the organisation to be ready to seize the opportunities of growth in the economy.
15. continue to view the skill mix of staff across the College to ensure the highest levels of quality and value for money.
16. maintain high levels of technical competence and capability to meet both curriculum and business needs.

Strategic Aim 4 - Provide a curriculum that meets the needs of all stakeholders in an ever changing world

17. offer a comprehensive portfolio of skills training from skills for life to higher-level skills that responds to identified national regional and local skills needs and be innovative in our offer so that it is proactive to employer needs.
18. develop and grow the Marine offer to retain our position as a world leading provider in maritime training.
19. develop employer engagement plans for every course to ensure full-time and part-time students at the College have opportunities for employer related work, work experience, visits, talks and placements.
20. support the unemployed into work through utilisation of special funding and initiatives.
21. work with employers and other agencies to develop provision relevant to the skills needs of individuals and businesses and work with relevant agencies and voluntary groups to support individuals preparing to return to work.
22. seek to increase the number of apprenticeship opportunities available to young people and adults.

Strategic Aim 5 - Work in partnership with employers, agencies and the community

23. develop current and new marine partnerships to enhance market share and emphasise our position as a leading provider in maritime training.
24. work closely with the local authority to support and develop the community strategy to ensure the continued improvement of the lives and aspirations of the residents of the borough.
25. extend the work of the College to engage more employers across the region and develop partnership opportunities.
26. work closely with partner schools to offer vocational opportunities, partnerships and progression opportunities to develop the post-16 offer in the borough.
27. Work in partnership with schools and other providers to develop and deliver 14-16 provision, career college provision creating new curriculum opportunities and working to reduce the number of young people not engaged in employment, education or training (NEETs).
28. further develop partnerships with universities to provide opportunities for higher education for local regional and international customers and develop our overseas commercial partnerships.
29. work closely with the LEP, Job Centre plus, voluntary and partner organisations to develop education and training opportunities for new and emerging employment areas.

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30. continue to work with statutory and voluntary sector organisations to create learning opportunities for adult learners in the College and by supporting community-based organisations to obtain and manage project funding from a range of sources to plug the gap generated from cuts in SFA funding.

The College is making good progress against these objectives and is currently compiling its self-assessment report for 2014/15.

Financial Objectives

The College set itself the following financial objectives for 2014/15:

1. maintaining a sound financial base (solvency and liquidity) based on the following:
 - we will maintain cash days of 35 or more at all times.
 - we will achieve the operating surplus as budgeted.
 - we will have a current ratio of more than 1.4.
2. maintain strong financial management by producing management accounts on a monthly basis (excluding August), incorporating an income and expenditure account, balance sheet, 12-month rolling cash flow forecast, capital expenditure, financial performance indicators, staffing information and funding information (including plans).
3. maintaining the confidence of funding bodies, suppliers and professional advisors.
4. improve the College's treasury management by making use of term deposits where possible.
5. Review costs and income projections in light of the changing financial environment.

The College has achieved all these objectives during 2014/15.

Performance Indicators

The College is committed to observing the importance of sector measures and indicators and use the FE choices website which looks at measures such as success rates.

College financial health is monitored through the completion of the annual finance record for the Skills Funding Agency (SFA). The financial health of the College is currently rated as outstanding as per the SFA rating criteria.

FINANCIAL POSITION

In 2014/15, the College achieved an historic cost surplus of £4,452,000 (2013/14: £1,578,000). The operating surplus for the year was £922,000 (2013/14: £1,438,000). There was a cash inflow of £2,878,000 (2013/14: £2,456,000) from operating activities. At the year end the College retains a positive balance on general reserves (excluding pension reserves) of £16,229,000 (2013/14: £12,097,000).

The College is using its surpluses in order to invest in the refurbishment of its premises of which it is now on its fifth phase.

Tangible fixed asset additions during the year were £5,473,000. The main additions are continued investment in the premises at South Shields, which included the refurbishment of a two story teaching block and a suite of workshops including the creating of an advanced manufacturing facility. The College also upgraded sixty rooms in the halls of residence and refurbished a building for the College gym and created new changing facilities to improve use

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of the playing fields. The College received grants of £542,000 during the year from SFA and HEFCE towards this work. The College also completed the sale of its former site at Hebburn for £4.3m, which the College has earmarked for future capital improvements.

The College has significant reliance on the education funding bodies for its principal funding source. In 2014/15 they provided 45% of the College's total income.

The College has one subsidiary company, South Tyneside Training Services Limited. The company was dormant during the year.

Treasury Policies and Objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions and the effective management of risks associated with those activities. The College has a treasury management policy.

All borrowing is authorised by the College Board of Governors and complies with the requirements of the College financial memorandum. The need for borrowing takes into account the College's operating cash flow needs, investment plans and availability of credit.

Cash Flows

At £2,878,000 (2013/14 £2,456,000) operating cash inflow was strong. £635,000 of this cash inflow was used to purchase fixed assets, both equipment purchases and the completion of the fourth phase of the College's refurbishment programme and the start of the fifth phase, £2,035,000 was the increase in cash in the year and this is due to the strong financial performance and the proceeds from the sale of the Hebburn campus.

Liquidity

In August 2011 the College took out a £2m loan to help finance its capital refurbishment programme. The balance of the capital cost is met from SFA grants and College reserves.

The College has comfortably met its loan covenant requirements during 2014/15.

Payment Performance

The College endeavours to pay all validated invoices within 30 days of the invoice date unless different terms have been agreed with the supplier.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2014/15 the College has delivered activity that has produced £11,896,000 in main FE allocation funding (2013/14: £11,695,000). The College had approximately 5,100 FE funded and 5,700 non FE funded learners.

Student Achievements

Overall success rates in 2014/15 are 83.5% (2013/14 83%).

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Curriculum Developments

The College continues to specialise in training for the merchant navy where it is internationally recognised. These courses include training at FE and HE level as well as full cost training to meet the needs of the industry.

The curriculum offer is reviewed and updated on a regular basis to ensure that provision meets the needs of learners and employers. The College has grown during 2014/15 its apprenticeship delivery both direct and indirect via carefully selected partners.

During 2014/15 this review has led to a number of changes in our planning for 2015/16 to take account of funding changes, reductions and ensuring that we are meeting the needs of employers in the local community, shipping companies, both in the UK and worldwide, for now and in the future.

Staff Restructuring

The College continued to review its staffing to ensure that it meets requirements of the curriculum.

Future Developments

The College continues to look to continue to diversify income streams, increase its Marine provision and the number of international students and to continue to ensure its curriculum meets the needs of young people, adults and employers within the current funding constraints.

In order to deliver this the College is implementing a property strategy that looks to make the best use of its facilities. The College has received all 3 rounds of Enhanced Renewal Grant from the Skills Funding Agency as well as College Capital Investment Fund so far towards its refurbishment programme and in 2014 was successful with its latest bid to the Local Enterprise Partnership for capital funds for projects to be completed in 2015/16.

RESOURCES

The College has various resources it can deploy in pursuit of its strategic objectives.

Tangible resources include the South Shields campus and the Marine Safety Training Centre on the South Shields riverside.

The College has £19,058,000 of net assets (including £9,480,000 pension liability) and £1,171,000 of long term debt.

The College employs 371 people (expressed as Full Time Equivalents (FTEs)) of whom 161 FTE are teaching staff.

REPUTATION

The College has a good and improving reputation locally, nationally and internationally, in particular for its marine courses. Maintaining a quality brand is essential if the College is to continue to attract both local and marine students, where it competes with colleges throughout the UK and overseas.

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PRINCIPAL RISKS AND UNCERTAINTIES

The College continues to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

The Senior Management Team undertakes a review of the risks to which the College is exposed. They identify systems and procedures already in place and additional actions which should mitigate any potential impact on the College. The Senior Executive Group consider at least termly the high level risks and the risks of any new areas of work being undertaken by the College.

A high level risk register is maintained which is reviewed by the Board and the Audit Committee on an annual basis. The register identifies key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Operational risk registers are kept by each School/service area in the college and are reviewed on a quarterly basis.

Outlined below is a description of the principal risk factors that may affect the College, not all of which are in the College's control. Other factors besides those listed below may also adversely affect the College.

1. Government Funding

The College has significant reliance on continued government funding through further education sector funding bodies and HEFCE. In 2014/15, 45% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same level or on the same terms.

The College is aware of a number of issues which may impact on future funding:

- The continued reduction in funding for adult provision, in particular for classroom based provision as evidenced by the significant reduction in the 2015/16 allocation;
- The changes in HE funding have reduced demand from UK companies and for part time HE courses and it is not known if this will continue;
- Uncertainty over the level of funding for 16-18 delivery and changes in the requirements for funding could have an adverse impact on future allocations, which was seen with the reduced funding for 18 year olds in 2014/15.

The risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements;
- The College subcontracts some delivery and if funding reduces this can be decreased first, reducing the impact on direct college delivery;
- Ensuring the College continues to improve quality of delivery and success rates both to maximise funding and encourage learners to study at the College;
- A considerable focus is placed on maintaining and managing key relationships with funding bodies;
- Ensuring the College focuses on priority sectors and courses which will continue to benefit from public funding;
- Ensuring the curriculum model is efficient in terms of delivery.

2. Tuition Fee Policy

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The Fee assumption remains at 50% for Further Education but FE loans were introduced in 2013 which reduced income and increases in Higher Education fees have occurred. With a large proportion of the College's "H.E." fees being paid by marine employers this has reduced demand from the UK and an increased amount of delivery to overseas learners is taking place.

The risk is mitigated by:

- Ensuring the College continues to improve quality of learning and success rates;
- Close monitoring of the demand for courses as prices change;
- Increased emphasis on credit control to ensure all fees are collected in a timely manner.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the local government pension scheme deficit on the College's balance sheet in line with the requirements of Financial Reporting Standard 17. The deficit could increase if auto enrolment increases the number of members in the pension scheme.

4. Accommodation Strategy

Due to government funding cut backs, the College needs to develop its accommodation strategy such that it can be funded without significant funding body support, which is challenging given the age and state of the buildings. There is a risk that the buildings continue to deteriorate and learners wish to go elsewhere.

The risk is mitigated by:

- The sale of the Hebburn campus which was in the site in greatest need of refurbishment, the proceeds of which are partially being reinvested in upgrading the other college sites;
- Continued investment in maintaining and refurbishing our buildings to extend their life, taking advantage of grants wherever possible.

5. Demographic Changes and Increased Competition

The College is in a period of increased competition for 16-18 places as the number of available places in the Borough increases whilst demographic changes mean the number of 16-18 year olds is decreasing.

The risk is mitigated by:

- Continuing to improve the quality of provision and success rates to encourage learners to the College;
- Promote the College offer to reduce the number of learners who travel out of the Borough to study;
- Working with the schools to improve the offer to young people.
- In 2015/16 we will start to operate a career college in conjunction with a high performing local school so we will take our first 14 year olds onto the College roll.

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STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers;
- Employers in the Marine Industry;
- Local Authorities;
- LEPs;
- Job Centre plus;
- The Local Community;
- Other FE Institutions;
- Schools and Universities;
- Trade Unions; and
- Professional Bodies.

The College recognises the importance of these relationships and engages in regular communication with them in accordance with our stakeholder strategy.

Equal Opportunities and Employment of Disabled Persons

South Tyneside College values and recognises the social and cultural diversity in which it operates and seeks to promote equality, and respect the dignity of all staff and those individuals to whom it provides services. The College aims to provide conditions which encourage everyone to participate in learning and actively combat harassment. The College has a fundamental belief in the right of everyone to be treated with dignity and respect, regardless of: age, disability/learning difficulties, ethnic origin, gender, marital/civil partnership status or domestic responsibilities, religion or belief, sexual orientation, socio economic background, transgender, health (including mental health).

The College's Equal Opportunities Policies are published on the College's Intranet site.

The College produces an Annual Equality Report to ensure compliance with all relevant legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and updates them as policies are amended.

All new staff receive Equality and Diversity training as part of their induction programme and refresher training is carried out on an ongoing basis.

The College welcomes applications from people with disabilities. Where an existing employee becomes disabled, every effort is made to ensure that employment within the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are identical to those for other employees.

Disability Statement

The College seeks to achieve the objectives set down in the Equality Act 2010. The College publishes a Disability Statement annually entitled "A Guide to Access". The statement

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provides information to organisations, individual enquirers, students and staff about the range of support services and facilities currently available in the College and also includes details of how to access those services. The guide is printed in standard and large print formats and can be made available in Braille and audio formats on request.

- The College continues to make reasonable adjustments to existing accommodation and to improve access as part of the College refurbishment programme;
- The College has Additional Learning Support Co-ordinators, who provide information, advice and arrange support where necessary for students with learning difficulties and disabilities;
- There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre;
- The admissions policy for all students is published on the intranet. A decision not to offer a place are dealt with under this policy;
- The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of learner support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published;
- Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction; and
- The College has invested significantly in improving its facilities for Learners with Learning Difficulties and Disabilities and doubled the size of its unit to support learners with autism spectrum disorder.

Disclosure of Information to Auditor

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditor 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 auditor are aware of that information.

**Approved by order of the members of the Board on 16 December 2015
and signed on its behalf by:**



A. Watts
Chair

South Tyneside College

PROFESSIONAL ADVISERS

Bankers

Barclays PLC
Percy Street
Newcastle upon Tyne
NE19 4QL

Financial statement and regularity auditor

KPMG LLP
Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DZ

Internal auditor (until 31 July 2015)

KPMG LLP
Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DZ

Internal auditor (from 1 August 2015)

RSM LLP (formerly Baker Tilly LLP)
Springfield House
76 Wellington Street
Leeds
LS1 2AY

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

- In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- In full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance* ("the Foundation code"); and
- Having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

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

In the opinion of the governors, the College complies with all the provisions of the Foundation Code. The Board of Governors recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted on 12 December 2012.

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

**replaced recently by the Code of Good Governance for English Colleges which has also been adopted by the Board (July 2015).*

The Board of Governors

The members who served on the Board of Governors (the Board) during the year and up to the date of signature of this report were as listed below:

Name	Date of Appointment (s)	Term of Office	Date of Resignation/ End of Office	Status of Appointment	Committees Served	Full Board Attendance (up to 31.07.2015)
Mr D Byrne	October 2011 October 2012	1 year 4 years		External Member	Finance & Resources. SSMS Quality & Curric Appraisal.	60%
Mr G Clark	July 2014 July 2015	1 Year 3 Years		External Member	Audit (until 31.8.15) Appraisal.	100%

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					Fin & Res (from 1.9.15)	
Mrs H Harrison	July 2014 July 2015	1 Year 3 Years		External Member	Prof & Voc - Quality, Curriculum & Community	67%
Dr B Malik	October 2006 October 2007 October 2011	1 year 4 years 3 years	31 October 2014	External Member	Audit. Appraisal	100%
Mr M Overton	Nov 2014 Nov 2015	1 Year 3 Years		External Member	Governance & Search. Fin and Res. Appraisal	100%
Miss M Rahman	November 2014	31 July 2015 (Pres. of St. Union)	31 July 2015	Student Member	SSMS Quality & Curric. Prof & Voc - Quality.	100%
Mrs A Rowley	July 2014	4 years		Staff Member	SSMS Quality & Curric. Prof & Voc - Quality, Curric & Comm.	100%
Mrs C Smith	October 2007 October 2008 November 2012	1 year 4 years 3 years	31 October 2015	External Member	Prof & Voc - Quality, Curric & Comm. Governance & Search. Audit. Performance Review	100%
Mr R Staward	October 2007 October 2008 November 2012	1 year 4 years 3 years	31 October 2015	External Member	Audit. Governance & Search. Prof & Voc - Quality, Curric & Comm. Performance Review.	80%
Mr D Walsh	November 2014	31 July 2015 (V Pres of St. Union)	31 July 2015	Student Member	SSMS Quality & Curric. Prof & Voc - Quality.	100%
Mr L Watson	October 2008 October 2009 October 2013	1 year 4 years 3 years		External Member	Finance & Resources (until 31.8.15) Prof & Voc - Quality,	100%

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					Curric & Comm. Governance & Search Appraisal Audit (from 1.9.15)	
Mr A Watts	October 2011 October 2012	1 year 4 years		External Member	Finance & Resources. Prof & Voc - Quality, Curric & Comm. Performance Review SSMS Quality & Curric.	100%
Mrs S Wear	October 2013 October 2014	1 Year 3 Years		External Member	Audit. SSMS Quality & Curric.	60%
Mr N Whalen-Griffiths	August 2012 August 2013	1 year 3 years		External Member	Audit. SSMS Quality & Curric. Performance Review	20%
Mr R Whitelaw	August 2007 July 2008 August 2012	1 year 4 years 3 years	31 July 2015	External Member	Finance & Resources. Prof & Voc - Quality, Curric & Comm. Performance Review.	80%
Ms L Whiterod	Oct 2009	Whilst employed as Chief Executive		Chief Executive	Finance & Resources. Governance & Search. Prof & Voc - Quality, Curric & Comm. SSMS Quality & Curric.	100%
Mr Des Young	July 2014 July 2015	1 Year 3 Years		External Member	Finance & Resources Prof & Voc - Quality, Curric & Comm Appraisal	100%

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Terry Cornick	August 2015	1 Year		External Member	Audit SSMS Quality & Curric.	N/A
Peter Davidson	Nov 2015	1 Year		External Member	Audit Governance & Search.	N/A
Malcolm Grady	Nov 2015	1 Year		External Member	Finance & Resources. Governance & Search.	N/A
Thivvyaanandan Sermugam	Sept 2015	31 July 2016 (Pres of St. Union)	31 July 2016	Student Member	SSMS Quality & Curric. Prof & Voc – Quality Comm.	N/A
Jed Calcutt	Sept 2015	31 July 2016 (V Pres of St. Union)	31 July 2016	Student Member	SSMS Quality & Curric. Prof & Voc – Quality Comm.	N/A

Mr N Longstaff acts as Clerk to the Board of Governors.

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

The Board is provided with regular and timely information at each meeting on the overall financial performance of the College together with information on performance against funding targets, proposed capital expenditure, quality matters, human resource issues and health and safety and environmental issues. The Board meets four times per year for Board Meetings.

The Board conducts its business through a number of committees. Each committee has terms of reference, composition and membership, which have been approved by the Board. These Committees for 2014/15 were Audit; Finance & Resources; Governance and Search; Performance Review; Appraisal; Professional & Vocational Quality, Curriculum & Community, South Shields Marine School Quality and Curriculum. Full minutes of all meetings, except those deemed to be confidential by the Board are available from Clerk to the Board, South Tyneside College, St. George's Avenue, South Shields, NE34 6ET.

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

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Clerk are matters for the Board as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board and Committee meetings. Briefings are also provided on an ad-hoc basis.

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The Board has an independent non-executive element and no individual or group dominates its decision making process. The Board 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 judgment.

There is a clear division of responsibility in that the roles of the Chair of the Board and Chief Executive are separate.

Appointments to the Board

Any new appointments to the Board are a matter for the consideration of the Board as a whole. The Board has a Governance & Search Committee which is comprised of a minimum of 5 members which is responsible for the selection and nomination of new members and for re-appointment of existing members for the Board's consideration. The Board is responsible for ensuring that appropriate training is provided as required.

With the exception of the Chief Executive, Members of the Board are appointed for a term of office not exceeding 4 years and the maximum length of office in total is 8 years apart from the Chief Executive who serves as a governor whilst in post.

Performance Review Committee

Throughout the year ended 31 July 2015 the College's Performance Review Committee comprised 5 members. The Committee's responsibilities are to make decisions on remuneration and benefits of the Chief Executive, the Clerk and senior post holders.

Details of senior post-holders remuneration for the year ended 31 July 2015 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises a minimum of 5 members of the Board (excluding the Chief Executive and Chair). The Committee operates in accordance with written terms of reference approved by the Board.

The Audit Committee meets four times per year and provides a forum for reporting by the College's internal and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the education 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 recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

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

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Internal Control

Scope of responsibility

The Board 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 Board has delegated the day-to-day responsibility to the Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between South Tyneside College and the funding bodies. She is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2015 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Board has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board 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 year ending 31 July 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board.

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 Board;
- regular reviews by the Board of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- budgets delegated to Schools and Departments;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit

South Tyneside College

plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board on the recommendation of the audit committee. At a minimum annually, the Head of Internal Audit ("HIA") provides the Board with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

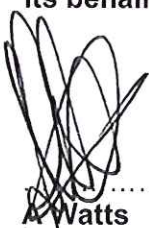
- the work of the internal auditor;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditor, the regularity auditor, in their management letter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

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, 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 Board's meeting papers include regular consideration of risk and control and receive reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2015 meeting, the Board carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2015.

Based on the advice of the Audit Committee and the Chief Executive, the Board 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 Board on 16 December 2015 and signed on its behalf by:



A. Watts
Chair

16 December 2015



L. Whiterod
Chief Executive
16 December 2015

South Tyneside College

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

The Board has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Board, that after due enquiry, and ***to the best of our knowledge***, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Skills Funding Agency.



A Watts
Chair

16 December 2015



L. Whiterod
Chief Executive

16 December 2015

South Tyneside College

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE BOARD OF GOVERNORS

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency (SFA) and the Board of the College, the Board, through its Chief Executive, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction for 2014/15 issued jointly by the SFA and the EFA which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Board is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Board are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the SFA are used only in accordance with the Financial Memorandum with the SFA and any other conditions that the SFA may prescribe from time to time. Members of the Board must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the

South Tyneside College

Board are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the SFA are not put at risk.

Approved by order of the members of the Governing Body on 16 December 2015 and signed on its behalf by:



.....
A. Watts
Chair

South Tyneside College

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF SOUTH TYNESIDE COLLEGE

We have audited the Group and College financial statements ("the financial statements") of South Tyneside College for the year ended 31 July 2015 set out on pages 27 to 53. The financial reporting framework that has been applied in their preparation is applicable law and UK Generally Accepted Accounting Practice.

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, as a body, 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of South Tyneside College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 21, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2015 and of the Group's surplus for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

South Tyneside College

Opinion on other matters prescribed by the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency

In our opinion:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records.



Mick Thompson (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

16 December 2015

South Tyneside College

INDEPENDENT AUDITORS' REPORT ON REGULARITY TO THE CORPORATION OF SOUTH TYNESIDE COLLEGE AND THE SECRETARY OF STATE FOR BUSINESS, INNOVATION AND SKILLS ACTING THROUGH SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 23 October 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by South Tyneside College during the period from 1 August 2014 to 31 July 2015 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of South Tyneside College and the Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of South Tyneside College and Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of South Tyneside College and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of South Tyneside College and the reporting accountant

The corporation of South Tyneside 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 is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period from 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

South Tyneside College

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the College's income and expenditure.

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a negative conclusion on regularity consistent with the requirements of the Joint Audit Code of Practice.

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 from 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Mick Thompson
For and on behalf of KPMG LLP, Reporting Accountant
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

16 December 2015

South Tyneside College

South Tyneside College

Consolidated Income and Expenditure Account

	Notes	2015	2014
		£'000	£'000
INCOME			
Funding body grants	2	14,171	13,861
Tuition fees and education contracts	3	13,613	11,582
Other income		3,137	2,507
Endowment and investment income	4	315	201
Total income		31,236	28,151
EXPENDITURE			
Staff costs	5	14,765	14,531
Exceptional restructuring costs	5	298	277
Other operating expenses	7	13,355	10,248
Depreciation	10	1,835	1,588
Interest and other finance costs	8	61	69
Total expenditure		30,314	26,713
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		922	1,438
Profit / (loss) on disposal of assets		3,358	(32)
Surplus on continuing operations after depreciation of tangible fixed assets at valuation, exceptional items and disposal of assets but before tax		4,280	1,406
Surplus for the year retained within general reserves	9	4,280	1,406

The income and expenditure account is in respect of continuing activities.

South Tyneside College

South Tyneside College

Consolidated Note of Historical Cost Surpluses and Deficits

	Notes	2015 £'000	2014 £'000
Surplus on continuing operations before taxation	9	4,280	1,406
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	18	172	172
Historical cost surplus for the year before taxation		4,452	1,578
Historical cost surplus for the year after taxation		4,452	1,578

Consolidated Statement of Total Recognised Gains and Losses

	Notes	2015 £'000	2014 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax	9	4,280	1,406
Actuarial (loss) / gain in respect of pension scheme	25	(1,570)	2,070
Total recognised gains since last report		2,710	3,476
Reconciliation			
Opening reserves and endowments		9,618	6,142
Total recognised gain for the year		2,710	3,476
Closing reserves and endowments		12,328	9,618


South Tyneside College

South Tyneside College

Balance sheets as at 31 July

	Notes	Group	College	Group	College
		2015 £'000	2015 £'000	2014 £'000	2014 £'000
Fixed assets					
Tangible assets	10	24,798	24,798	22,097	22,097
Investments	11	-	2	-	2
Total fixed assets		24,798	24,800	22,097	22,099
Current assets					
Debtors	12	1,333	1,333	2,714	2,714
Cash at bank and in hand		9,970	9,968	7,935	7,933
Total current assets		11,303	11,301	10,649	10,647
Less: Creditors – amounts falling due within one year	13	(6,374)	(6,374)	(6,778)	(6,778)
Net current assets		4,929	4,927	3,871	3,869
Total assets less current liabilities		29,727	29,727	25,968	25,968
Less: Creditors – amounts falling due after more than one year	14	(1,171)	(1,171)	(1,365)	(1,365)
Less: Provisions for liabilities	16	(18)	(18)	(53)	(53)
Net assets excluding pension liability		28,538	28,538	24,550	24,550
Net pension liability	25	(9,480)	(9,480)	(8,230)	(8,230)
NET ASSETS INCLUDING PENSION LIABILITY		19,058	19,058	16,320	16,320
Deferred capital grants	17	6,730	6,730	6,702	6,702
Reserves					
Income and expenditure account excluding pension reserve	19	16,229	16,229	12,097	12,097
Pension reserve	19	(9,480)	(9,480)	(8,230)	(8,230)
Income and expenditure account including pension reserve	19	6,749	6,749	3,867	3,867
Revaluation reserve	18	5,579	5,579	5,751	5,751
Total reserves		12,328	12,328	9,618	9,618
TOTAL FUNDS		19,058	19,058	16,320	16,320

The financial statements on pages 27 to 53 were approved by the Board on 16 December 2015 and were signed on its behalf on that date by:


A. Watts
Chair


L. Whiterod
Accounting Officer

South Tyneside College

South Tyneside College Consolidated Cash Flow Statement

	Notes	2015 £'000	2014 £'000
Cash inflow from operating activities	20	2,878	2,456
Returns on investments and servicing of finance	21	24	42
Capital expenditure and financial investment	22	(635)	(3,002)
Financing	23	(232)	(270)
		<hr/>	<hr/>
Increase / (decrease) in cash in the year	24	<u>2,035</u>	<u>(774)</u>
Reconciliation of net cash flow to movement in net funds			
Increase / (decrease) in cash in the period		2,035	(774)
Loan repayment in year	23	232	270
		<hr/>	<hr/>
Movement in net funds in the period		2,267	(504)
Net funds at 1 August	24	6,338	6,842
		<hr/>	<hr/>
Net funds at 31 July		<u>8,605</u>	<u>6,338</u>

South Tyneside College

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2015

1. Statement of principal accounting policies

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

Basis of Preparation

These financial statements were prepared in accordance with the Statement of Recommended Practice (SORP): *Accounting in Further and Higher Education 2007*, the *Accounts Direction for 2014 to 2015 financial statements* and in accordance with applicable Accounting Standards.

Basis of accounting

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain freehold land and buildings and in accordance with applicable United Kingdom Accounting Standards.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College took out a £2m loan in August 2011 for 10 years and there is £1.4m currently outstanding. The College's forecasts and financial projections indicate it will be able to operate within this facility 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.

Consolidation of subsidiary undertaking

The College owns a 100% interest in its subsidiary undertaking, South Tyneside Training Services Limited. These financial statements are prepared on a consolidated basis with the addition of a non-consolidated balance sheet for the College. In accordance with FRS 2, intra-group sales and profits are eliminated fully on consolidation.

Recognition of Income

The recurrent grants from HEFCE represents the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end, and the results of any funding audits. 16-18

South Tyneside College

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2015 CONTINUED

1. Statement of principal accounting policies (continued)

learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Non- recurrent grants from funding bodies or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with the depreciation over the life of the assets.

Income from Tuition Fees is recognised in the period to which it relates and includes all fees chargeable to students or their sponsors. Income from contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Maintenance of Premises

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

Foreign Currency Translation

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

Post Retirement Benefits

Retirement benefits for employees of the College are provided by The Teachers' Pension Scheme (TPS) and the Tyne and Wear Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme.

Contributions to the schemes are charged to the income and expenditure account 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 present and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 25, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis. The scheme is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of these schemes liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

South Tyneside College

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2015 CONTINUED

1. Statement of principal accounting policies (continued)

Tangible Fixed Assets

The College's policy is to carry all assets at historical cost, except for inherited assets from the Local Education Authority which are included on the balance sheet at a valuation existing at 31 July 1999 when the College implemented FRS 15 for the first time. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

a. Land and Buildings –

The College's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost for existing use where this is readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost.

The roofs on freehold buildings are categorised as discrete assets, separate from the remainder of the building. All buildings are depreciated to zero over their expected useful economic life to the College.

The useful economic life (at the time of valuation) for inherited buildings varies between 10 and 40 years according to the assessment by the valuing surveyor. Buildings purchased or constructed since incorporation and are not part of the current building programme are depreciated as follows.

Roofing	2 to 20 years
Refurbishment of existing buildings	15 to 40 years
New Buildings	40 years
Purchased buildings	Assessment of economic life

Freehold land is not depreciated.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

The College has a minor capital works plan and refurbishment policy for the development of its estates.

South Tyneside College

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2015 CONTINUED

1. Statement of principal accounting policies (continued)

Assets under construction are accounted for at cost, based on the value of architects certificates and other direct costs incurred to 31st July. They are not depreciated until they are brought into use.

b. Equipment

Equipment costing less than £1,000 per item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation, cost less depreciation, or depreciated replacement cost.

Equipment is depreciated on a straight line basis over its useful economic life as follows:

Vehicles	5 years
Computing Equipment	2 - 10 years
Marine Simulation Unit	up to 15 years
Other Equipment	up to 20 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

c. Heritage Assets

The College has a number of historical artefacts and these are included at valuation. Professional valuations are carried out every 5 years with changes in value being charged to the revaluation reserve. The College does not depreciate these assets due to their nature. The assets consist of a variety of objects of interest left to the College including paintings, maritime instruments (including telescopes, globes, sextants etc.), models of ships, trophies, technical books and documents. These assets have been donated to the College who maintain them and many of which are used for display purposes around the College. The College uses these as part of a permanent collection and does not hold them for trading purposes.

Leased Assets

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

Leasing agreements that transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or useful economic lives of the equivalent owned assets.

South Tyneside College

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2015 CONTINUED

1. Statement of principal accounting policies (continued)

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 Chapter 3, Part 11 Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its input. 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 company is subject to corporation tax and VAT in the same way as any commercial organisation.

Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks and building societies.

Provisions

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 obligation.

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Support Funds and Bursaries. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 30, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

South Tyneside College

South Tyneside College Notes to the Accounts (continued)

2 Funding body grants

	2015 £'000	2014 £'000
EFA recurrent grant	7,500	7,869
SFA recurrent grant	4,396	3,826
HEFCE recurrent grant	628	953
EFA non recurrent grants	32	6
SFA non recurrent grant	1,149	958
Releases of deferred capital grants (note 17)	466	249
Total	14,171	13,861

3 Tuition fees and education contracts

	2015 £'000	2014 £'000
Tuition fees	12,275	10,553
Education contracts	1,338	1,029
Total	13,613	11,582

4 Endowment and investment income

	2015 £'000	2014 £'000
Other investment income	85	111
Pension finance income (note 25)	230	90
Total	315	201

South Tyneside College

South Tyneside College Notes to the Accounts (continued)

5 Staff costs

The average number of persons (including senior post-holders) employed by the College during the year, described as full-time equivalents, was:

	2015 No.	2014 No.
Teaching staff	161	155
Non teaching staff	210	208
	<u>371</u>	<u>363</u>
Staff costs for the above persons		
	2015 £'000	2014 £'000
Wages and salaries	10,932	10,718
Social security costs	791	780
Other pension costs (including FRS 17 adjustments of (£90,000) – (2014: £90,000))	1,585	1,609
	<u>13,308</u>	<u>13,107</u>
Contracted out staffing services	1,457	1,424
	<u>14,765</u>	<u>14,531</u>
Restructuring costs	298	277
	<u>15,063</u>	<u>14,808</u>

The number of senior post-holders and other staff who received emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Senior post-holders		Other staff	
	2015 No.	2014 No.	2015 No.	2014 No.
£20,001 to £30,000	-	1	-	-
£60,001 to £70,000	-	-	1	1
£70,001 to £80,000	2	2	-	-
£80,001 to £90,000	-	1	-	-
£90,001 to £100,000	1	-	-	-
£140,001 to £150,000	-	1	-	-
£150,001 to £160,000	1	-	-	-
	<u>4</u>	<u>5</u>	<u>1</u>	<u>1</u>

South Tyneside College

South Tyneside College

Notes to the Accounts (continued)

6 Senior post-holders' emoluments

Senior post-holders are defined as the Accounting Officer and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2015 No.	2014 No.
The number of senior post-holders including the Accounting Officer	4	5

Senior post-holders' emoluments are made up as follows:

	2015 £'000	2014 £'000
Salaries	403	403
Pension contributions	70	58
Total emoluments	473	461

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid senior post-holder) of:

	2015 £'000	2014 £'000
Salaries	157	146
Pension contributions	22	21

The pension contributions in respect of the Accounting Officer and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and Local Government Pension Scheme and are paid at the same rate as for other employees.

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

South Tyneside College

South Tyneside College Notes to the Accounts (continued)

7 Other operating expenses

	2015	2014
	£'000	£'000
Teaching costs	4,152	3,327
Partnership costs	4,073	2,486
Non teaching costs	3,194	2,691
Premises costs	1,936	1,744
	<u>13,355</u>	<u>10,248</u>
Total	13,355	10,248

Other operating expenses include:

	2015	2014
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	23	24
STTS Financial statements audit	0	1
Internal audit	30	30
Other services provided by the financial statements auditors	21	2
Other services provided by the internal auditors	21	20
Hire of plant and machinery – operating leases	815	844
Hire of other assets – operating leases	32	36

8 Interest and other finance costs

	2015	2014
	£'000	£'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years	61	69
	<u>61</u>	<u>69</u>
Total	61	69

9 Surplus on continuing operations for the year

The surplus on continuing operations for the year is made up as follows:

	2015	2014
	£'000	£'000
College's surplus for the year	4,280	1,406
	<u>4,280</u>	<u>1,406</u>
Total	4,280	1,406

South Tyneside College

South Tyneside College

Notes to the Accounts (continued)

10 Tangible fixed assets (Group and College)

	Land and buildings Freehold £'000	Heritage Assets £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2014	38,139	319	4,592	43,050
Additions	4,460	-	1,013	5,473
Disposals	(1,698)		(45)	(1,743)
At 31 July 2015	40,901	319	5,560	46,780
Accumulated depreciation				
At 1 August 2014	18,611	-	2,342	20,953
Charge for the year	1,358	-	477	1,835
Elimination in respect of disposals	(770)		(36)	(806)
At 31 July 2015	19,199	-	2,783	21,982
Net book value at 31 July 2015	21,702	319	2,777	24,798
Net book value at 31 July 2014	19,528	319	2,250	22,097

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS15 accordingly, the book values at implementation have been retained.

The College's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost for existing use where this is readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost.

Tangible fixed assets - heritage assets

The College owns a wide variety of heritage assets, many of which are associated with the College's marine history. Some of these heritage assets are antiques which were previously used in teaching and some of these assets have been donated by sponsors. Examples of heritage assets owned by the college include paintings, display models of ships and navigational equipment. These assets are on display across the College and are the responsibility of the Principal - South Shields Marine School.

	Group and college £'000
Cost or valuation 1 August 2014	319
31 July 2015	<u>319</u>

The college's external valuer, Anderson & Garland, carried out a full revaluation of the college's heritage assets as at 31 July 2011. The revaluation of these assets was based on valuation for insurance purposes. Gains on revaluation of assets to the value of £205,000 have been recognised, notably £50,000 on a 16 inch equatorial reflecting telescope, with these gains being recognised in the Statement of Total Recognised Gains and Losses.

South Tyneside College

South Tyneside College Notes to the Accounts (continued)

11 Investments

	College 2015 £'000	College 2014 £'000
Investments in subsidiary companies	2	2
	<u>2</u>	<u>2</u>
Total	<u>2</u>	<u>2</u>

The College owns 100% of the £1 issued ordinary shares of South Tyneside Training Services Limited, a company incorporated in England and Wales. The interest in the company was acquired on 22 March 1994 for £2,500 cash. The principal activity of the company is the leasing of equipment. The financial statements of the company have been consolidated with those of the College in the preparation of these financial statements. This company is no longer trading.

The Board believes that the carrying value of the investment is supported by their underlying net assets.

12 Debtors

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Amounts falling due within one year:				
Trade debtors	848	848	2,250	2,250
Prepayments and accrued income	485	485	464	464
Total	<u>1,333</u>	<u>1,333</u>	<u>2,714</u>	<u>2,714</u>

13 Creditors: amounts falling due within one year

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Bank loans	195	195	232	232
Payments received in advance	3,025	3,025	3,827	3,827
Trade creditors	529	529	503	503
Other taxation and social security	236	236	245	245
Accruals	2,332	2,332	1,737	1,737
Amounts owed to the SFA	57	57	234	234
Total	<u>6,374</u>	<u>6,374</u>	<u>6,778</u>	<u>6,778</u>

South Tyneside College

South Tyneside College Notes to the Accounts (continued)

14 Creditors: amounts falling due after one year

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Bank loans	1,171	1,171	1,365	1,365
Total	1,171	1,171	1,365	1,365

15 Borrowings

Bank loans and overdrafts

Bank loans are repayable as follows:

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
In one year or less	195	195	232	232
Between one and two years	195	195	195	195
Between two and five years	585	585	585	585
In five years or more	391	391	594	594
Total	1,366	1,366	1,606	1,606

The College took out a £2,000,000 loan in 2011 with Barclays PLC to help finance its capital refurbishment programme. The principal balance of the loan is charged at an interest rate of 4.6% with a small revolving credit facility charged at LIBOR + 1.65%. This loan is repayable over a period of 10 years with 7 years remaining.

16 Provisions for liabilities and charges

	Group and College		Total
	Restructuring £'000	Other £'000	£'000
At 1 August 2014	53	0	53
Transferred to income and expenditure account	(35)	0	(35)
At 31 July 2015	18	0	18

The restructuring provision relates to potential costs arising from the provision of retraining fees of ex members of staff affected by the college's restructuring programme.

South Tyneside College

South Tyneside College

Notes to the Accounts (continued)

17 Deferred capital grants

	Group and College		
	Funding body grants	Other grants	Total
	£'000	£'000	£'000
At 1 August 2014	6,020	682	6,702
Cash received	495	47	542
Released to income and expenditure account	(466)	(48)	(514)
At 31 July 2015	<u>6,049</u>	<u>681</u>	<u>6,730</u>

18 Revaluation reserve

Group and College	2015 £'000	2014 £'000
At 1 August	5,751	5,923
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets	(172)	(172)
At 31 July	<u>5,579</u>	<u>5,751</u>

19 Movement on general reserves

Group and College	2015 £'000	2014 £'000
Income and expenditure account reserve		
At 1 August	3,867	219
Surplus retained for the year	4,280	1,406
Transfer from revaluation reserve	172	172
Actuarial (loss) / gain in respect of pension scheme	(1,570)	2,070
At 31 July	<u>6,749</u>	<u>3,867</u>
Balance represented by:		
Pension reserve	(9,480)	(8,230)
Income and expenditure account reserve excluding pension reserve	16,229	12,097
At 31 July	<u>6,749</u>	<u>3,867</u>

South Tyneside College

South Tyneside College

Notes to the Accounts (continued)

20 Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2015 £'000	2014 £'000
Surplus on continuing operations after depreciation of assets at valuation	4,280	1,406
Depreciation (note 10)	1,835	1,588
Deferred capital grants released to income (note 17)	(514)	(439)
(Profit) / loss on disposal of tangible fixed assets	(3,358)	32
Interest payable (note 8)	61	69
Interest receivable (note 4)	(85)	(111)
FRS 17 pension cost less contributions payable (notes 5 and 25)	(90)	(90)
FRS 17 pension finance income (note 4)	(230)	90
Decrease / (increase) in debtors	1,381	(1,510)
(Decrease) / increase in creditors	(367)	1,436
Decrease in provisions	(35)	(15)
Net cash inflow from operating activities	2,878	2,456

21 Returns on investments and servicing of finance

	2015 £'000	2014 £'000
Other interest received	85	111
Interest paid	(61)	(69)
Net cash inflow from returns on investment and servicing of finance	24	42

22 Capital expenditure and financial investment

	2015 £'000	2014 £'000
Purchase of tangible fixed assets	(5,473)	(4,700)
Payments to acquire endowment assets		
Sales of tangible fixed assets	4,296	-
Deferred capital grants received	542	1,698
Net cash outflow from capital expenditure and financial investment	(635)	(3,002)

South Tyneside College

South Tyneside College Notes to the Accounts (continued)

23 Financing

	2015 £'000	2014 £'000
Debt due beyond a year:		
Repayment of amounts borrowed	(232)	(270)
Net cash outflow from financing	<u>(232)</u>	<u>(270)</u>

24 Analysis of changes in net funds

	At 1 August 2014 £'000	Cash flows £'000	At 31 July 2015 £'000
Cash in hand, and at bank	7,935	2,035	9,970
	<u>7,935</u>	<u>2,035</u>	<u>9,970</u>
Debt due within 1 year	(232)	37	(195)
Debt due after 1 year	(1,365)	195	(1,170)
Total	<u>6,338</u>	<u>2,267</u>	<u>8,605</u>

South Tyneside College

South Tyneside College Notes to the Accounts (continued)

25 Pension and similar obligations

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is administered by Tyne and Wear Pension fund. Both are defined-benefit schemes.

Total pension cost for the year	2015 £'000	2014 £'000
Teachers Pension Scheme: contributions paid	834	828
Local Government Pension Scheme:		
Contributions paid	890	820
FRS 17 charge / (credit)	(90)	90
Charge to the Income and Expenditure Account (staff costs)	800	910
Total Pension Cost for Year	1,634	1,738

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

Contributions amounting to £209,000 (2014: £204,000) were payable to the scheme and are included in creditors.

Teachers' Pension Scheme

Introduction

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

The Teachers' Pension Budgeting And Valuation Account

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

South Tyneside College

South Tyneside College Notes to the Accounts (continued)

25 Pension and similar obligations (continued)

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

Valuation Of The Teachers' Pension Scheme

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

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £834,000 (2014: £828,000).

South Tyneside College

South Tyneside College Notes to the Accounts (continued)

25 Pension and similar obligations (continued)

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by South Tyneside Local Authority. The total contribution made for the year ended 31 July 2015 was £1,132,724, of which employer's contributions totalled £891,931 and employees' contributions totalled £240,793. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 12.5% for employees, depending on salary.

FRS 17

Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2015 by a qualified independent actuary.

	At 31 July 2015	At 31 July 2014
Rate of increase in salaries	3.50%	3.70%
Rate of increase for pensions in payment / inflation	2.00%	2.20%
Discount rate for scheme liabilities	3.50%	4.10%
Inflation assumption (CPI)	2.00%	2.20%
Commutation of pensions to lump sums		

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 2015	At 31 July 2014
<i>Retiring today</i>		
Males	23.10	23.00
Females	24.70	24.60
<i>Retiring in 20 years</i>		
Males	25.10	25.00
Females	27.00	26.90

South Tyneside College

South Tyneside College

Notes to the Accounts (continued)

25 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

The college's estimated share of the assets and liabilities in the scheme and the expected rates of return were:

	Long term rate of return expected at 31 July 2015	Value at 31 July 2015	Long term rate of return expected at 31 July 2014	Value at 31 July 2014
		£'000		£'000
Equities	7.50%	16,265	7.50%	14,865
Government bonds	3.30%	888	3.30%	796
Corporate Bonds	4.00%	2,863	4.00%	2,544
Property	7.30%	2,369	7.30%	2,013
Cash	0.90%	691	0.90%	575
Other	7.80%	1,604	7.80%	1,327
Total market value of assets		24,680		22,120
Present value of scheme liabilities				
- Funded		(34,160)		(30,350)
Deficit in the scheme		(9,480)		(8,230)

Analysis of the amount charged to income and expenditure account

	2015 £'000	2014 £'000
Employer service cost (net of employee contributions)	(760)	(780)
Past service cost	(40)	(130)
Total operating charge	(800)	(910)

Analysis of pension finance income

	2015 £'000	2014 £'000
Expected return on pension scheme assets	1,480	1,840
Interest on pension liabilities	(1,250)	(1,750)
Pension finance income	230	90

Amount recognised in the statement of total recognised gains and losses (STRGL)

	2015 £'000	2014 £'000
Actuarial gain / (loss) on pension scheme assets	700	(1,340)
Actuarial (loss) / gain on scheme liabilities	(2,270)	3,410
Actuarial (loss) / gain recognised in STRGL	(1,570)	2,070

South Tyneside College

South Tyneside College

Notes to the Accounts (continued)

25 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

Movement in deficit during year

	2015 £'000	2014 £'000
Deficit in scheme at 1 August	(8,230)	(10,300)
Movement in year:		
Employer service cost (net of employee contributions)	(760)	(780)
Employer contributions	890	820
Past service cost	(40)	(130)
Net interest / (return on assets)	230	90
Actuarial (loss) / gain	(1,570)	2,070
Deficit in scheme at 31 July	(9,480)	(8,230)

Asset and Liability Reconciliation

	2015 £'000	2014 £'000
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Reconciliation of Liabilities

Liabilities at start of period

Opening present value of liabilities	(30,350)	(32,660)
Interest cost	(1,250)	(1,460)
Current service cost	(760)	(780)
Contributions by participants	(240)	(210)
Actuarial (loss) / gain	(2,270)	3,410
Benefits paid	750	1,180
Past Service cost	(40)	(130)
Net increase in liabilities from disposals and acquisitions	-	300

Liabilities at end of period

(34,160)	(30,350)
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Reconciliation of Assets

Assets at start of period

Expected return on assets	22,120	22,360
Actuarial gain / (loss)	1,480	1,540
Employer contributions	700	(1,340)
Employer contributions	890	820
Employee contributions	240	210
Benefits paid	(750)	(1,180)
Net decrease in assets from disposals and acquisitions	-	(290)

Assets at end of period

24,680	22,120
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Deficit contributions

The college entered into an agreement with the LGPS to make additional contributions of £249,400 per annum in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

South Tyneside College

South Tyneside College

Notes to the Accounts (continued)

25 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

History of experience gains and losses

	2015	2014	2013	2012	2011
Difference between the expected and actual return on assets:	700	(1,340)	1,640	(1,070)	240
Amount £'000					
Experience gains and losses on scheme liabilities:	160	2,550	(10)	(160)	940
Amount £'000					
Total amount recognised in STRGL:	(1,570)	2,070	1,450	(3,980)	140
Amount £'000					

26 Capital commitments

	Group and College	
	2015	2014
	£'000	£'000
Commitments contracted for at 31 July	3,190	4,151
Authorised but not contracted at 31 July	NIL	NIL

Capital commitments relate to £3,232,000 balance of works for 2 capital projects with a combined value of £6,933,000.

27 Financial commitments

At 31 July the College had annual commitments under non-cancellable operating leases as follows:

	Group and College	
	2015	2014
	£'000	£'000
Land and buildings		
Expiring within one year	41	-
Expiring within two and five years inclusive	-	37
Expiring in over five years	-	-
	<u>41</u>	<u>37</u>
Other		
Expiring within one year	80	112
Expiring within two and five years inclusive	1,097	856
Expiring in over five years	72	70
	<u>1,249</u>	<u>1,038</u>

South Tyneside College

South Tyneside College

Notes to the Accounts (continued)

28 Contingent liability

The College was advised by its pension actuaries to take a bond from its catering contractor of £102,000 against default on its employer pension contributions. The college does not feel it is required to make a provision for this matter and has not taken up the bond.

29 Related party transactions

Owing 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.

Total expenses paid to or on behalf of Governors during the year were £354; 2 governors (2014 £221; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meeting, training and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the college or its subsidiaries during the year (2014: None).

Groundwork South Tyneside and Newcastle - a company in which A Watts (Chair of Governors) is Executive Director.

The college purchased training services value £26,000 (2014: £35,000) from Groundwork South Tyneside and Newcastle. The procurement of these services was carried out in accordance with the college's financial regulations.

Pritchard Gordon Tankers Ltd - a company where N Whalen Griffiths (a governor of the college) is Head of Personnel.

The college provided Pritchard Gordon Ltd. with £129,000 (2014: £116,000) of training within the college's marine schools. The rates charged to this company are consistent with the rates charged to other marine customers.

Port of Tyne - a company where S Wear (a governor of the college) is an employee.

The college provided Port of Tyne with £35,000 (2014: £24,000) of training courses. The rates charged to this company are consistent with the rates charged to other customers for these courses.

South Tyneside Manufacturing Forum - a company where L Whiterod (Accounting Officer of the college) is a Director.

The college paid £3,000 membership fees (2013: £3,000) the South Tyneside Manufacturing Forum. L Whiterod did not participate nor have any influence in the decision to subscribe for this membership.

South Tyneside College

South Tyneside College

Notes to the Accounts (continued)

South Tyneside College Academy Trust Sponsored by South Tyneside College - a local primary school sponsored by South Tyneside College

The academy trust was paid £6,000 (2014: £8,000) contribution towards the cost of employing apprentice teachers. These amounts were employer incentive moneys received from the Skills Funding Agency. The college also provided the academy trust with ICT, finance and management services at a total cost of £58,000 (2014 £18,000), with these services being provided at a less than cost basis.

South Tyneside NHS Foundation Trust - a local NHS Trust where R Staward (a governor of the college) is a public member.

The college provided South Tyneside NHS Foundation Trust with £2,000 (2014: £2,000) of training courses. The rates charged to this company are consistent with the rates charged to other customers for these courses.

Flag C - a company where D Byrne's spouse (D Byrne is a governor of the college) is Company Secretary.

The college provided Flag C with £6,000 (2014: £15,000) of training courses. The rates charged to this company are consistent with the rates charged to other customers for these courses.

Transactions with the funding bodies and HEFCE are detailed in notes 2, 13, and 17.

30 Amounts disbursed as agent

Learner support funds			
		2015	2014
		£'000	£'000
Funding body grants – hardship support		183	241
Funding body grants – childcare		254	255
		<hr/>	<hr/>
Disbursed to students		(415)	(482)
Administration costs		(22)	(14)
		<hr/>	<hr/>
Balance unspent as at 31 July, included in creditors		<hr/> <hr/>	<hr/> <hr/>

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 income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the College on the student's behalf.