

**Tyne Coast College (formerly South Tyneside College)**

**Report and Financial Statements  
for the Year Ended 31 July 2017**

## **Tyne Coast College (formerly South Tyneside College)**

### **Key Management Personnel, Board of Governors and Professional advisers**

#### **Key management personnel**

Key management personnel are defined as members of the College Senior Executive Group and were represented by the following in 2016/17:

Dr Lindsey Whiterod, Chief Executive Officer; Accounting Officer  
Ms Helen Beaton, Deputy Chief Executive  
Mr Gary Hindmarch, Principal South Shields Marine School  
Ms Alison Maynard, Principal Professional and Vocational College  
Ms Catherine Donnelly, Director of Human Resources

#### **Board of Governors**

A full list of Governors is given on page 15 of these financial statements.

Mr Neil Longstaff acted as Clerk to the Board throughout the period.

#### **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**

RSM LLP  
Springfield House  
76 Wellington Street  
Leeds  
LS1 2AY

## **Tyne Coast College (formerly South Tyneside College)**

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# **Tyne Coast College (formerly South Tyneside College)**

## **STRATEGIC REPORT**

### **NATURE, OBJECTIVES AND STRATEGIES**

The members present their report and the audited financial statements for the year ended 31<sup>st</sup> July 2017.

On 1 August 2017, following public consultation, Tyne Metropolitan College (TMC) was dissolved with its assets and liabilities transferring to the South Tyneside College (STC) under a Type B merger. Simultaneously South Tyneside College was renamed Tyne Coast College. The merger of these two strong colleges aims to provide outstanding educational opportunities for the benefit of the students and the communities we serve. We wish to be a world class educational facility focussed on the developing the potential of the employees of the future, thereby ensuring the long term prosperity of our region. This Members' Report and the financial statements that follow are the responsibility of the Board of Tyne Coast College, although the information provided relates to the activities of STC only in the period to 31 July 2017.

### **Legal Status**

The Board was established on 1<sup>st</sup> 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 but on 1 August 2017 permission was granted to change the college's name to Tyne Coast College.

### **Vision and Mission**

The vision statement continued as:

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

The mission continued as:

"To provide the highest quality education and training, preparing people for the future."

The board will adopt a new strategic plan for 2017/18 for the merged college.

### **Public Benefit**

Tyne Coast College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016, is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity are disclosed on pages 15 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.

## **Tyne Coast College (formerly South Tyneside College)**

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.
- Links with Local Enterprise Partnerships (LEP's)

The delivery of public benefit is covered throughout the Strategic Report.

### **Implementation of Strategic Plan**

The College adopted a strategic plan for the period 1 August 2015 to 31 July 2020. This has since been updated into a Business Development Strategy 2017- 2020 for the merged Tyne Coast College.

The College's strategic aims for 2016 -17 were to:

1. Provide high quality teaching and learning.
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.

The college agreed a number of priorities in order to meet these objectives which are:

Our priorities will be:

- To provide high quality employer focused vocational education regionally, nationally and internationally
- To continue to improve the quality of everything we do – to aim to be outstanding
- To innovate in the curriculum to be at the leading edge of learning
- To increase our visibility so that we can engage a wider audience in supporting, funding and championing our work – from policymakers to the general public
- To diversify the skills of our staff so that we can deliver the best possible education and training and respond quickly to new funding opportunities"

A series of performance indicators have been agreed to monitor the successful implementation of these priorities. For 2016 – 17 the primary objective was to successfully deliver the merger between STC and TMC.

## **Tyne Coast College (formerly South Tyneside College)**

### **Financial Objectives**

The College set itself the following financial objectives for 2016/17:

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 2016/17 apart from the current ratio.

### **Performance Indicators**

College financial health is monitored through the completion of the annual finance record for the Education and Skills Funding Agency (ESFA). The financial health of the College is currently rated as "good" as per the ESFA rating criteria. The current rating of good is considered an acceptable outcome.

Current indicators of student performance are that the college has improved learner success rates to an overall achievement rate of 89%

### **FINANCIAL POSITION**

The College generated a deficit before other gains and losses in the year of £7,757,000 (2015/16 – deficit of £555,000). £350,000 (2015/16 £350,000) of this loss is due to a charge on the South Tyneside College Tyne and Wear Local Government Pension Scheme and £7,760,000 is the settlement charge from Tyne and Wear Local Government Pension Scheme re the merger with Tyne Metropolitan College. Total comprehensive income is (£4,082,000) (2015/16 – (£4,929,000)). Of this loss, £3,360,000 (2015/16 (£4,300,000)) is an actuarial gain / (loss) on the pension scheme.

The College has accumulated reserves of (£1,692,000) and cash balances of £8,377,000. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund and to continue investment in the refurbishment of its premises.

Tangible fixed asset additions during the year were £961,000. The main additions are continued investment in the premises at South Shields, which included the refurbishment of 24 rooms at the halls of residence, new boilers at the Marine and Offshore Survival Training (MOST) centre, security and emergency lighting as well as machinery, IT and other equipment and furniture upgrades.

## **Tyne Coast College (formerly South Tyneside College)**

The College has significant reliance on the education funding bodies for its principal funding source. In 2016/17 they provided 48% of the College's total income.

The College had one subsidiary company, South Tyneside Training Services Limited which has now been struck off as it has been dormant for some time.

### **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 and Liquidity**

At £3,941,000 (2015/16 £1,814,000) net cash flow from operating activities was reasonably strong. £961,000 of this cash inflow was used to purchase fixed assets (equipment purchases and building refurbishment works). The increase in cash in the year was £4,010,000 and the college has a strong cash position of £8,377,000.

On 1 August 2017 the college took out a £1.4m loan with Handelsbanken on the same terms and for the same value that was in place with Tyne Metropolitan College.

### **Reserves Policy**

The college has no formal reserves policy but recognises the importance of reserves in the financial stability of the College, and ensures that there are adequate reserves to support the College's core activities and to meet the long-term cyclical needs of capital investment and any other unforeseen contingencies. The College Income and Expenditure reserve stands at (£1,692,000) (2016 £2,218,000). It is the Boards intention to increase reserves over the life of the next strategic plan through the generation of annual operating surpluses.

### **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**

### **Financial Health**

The college has been assessed by ESFA as having good financial health in 2017, using these same criteria, the college's financial health is forecast to remain as good during the 2017/18 year.

### **Student Numbers**

In 2016/17 the College has delivered activity that has produced £10,561,000 in main FE allocation funding (2015/16: £10,669,000). The College had approximately 4,900 FE funded and 4,300 non FE funded learners.

## **Tyne Coast College (formerly South Tyneside College)**

### **Student Achievements**

Overall success rates in 2016/17 are 89% (2015/16 86%).

### **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 regularly to ensure that provision continues to meet the needs of learners and employers. The College works with a number of selected partners to ensure the curriculum meets the needs of learners.

During 2016/17 this review has led to a number of changes in our planning for 2017/18, not least due to the merger but also to take account of funding changes, 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 curriculum requirements and the needs of the college after the merger.

### **Events after the End of the Reporting Period**

On 1 August 2017, following public consultation, the Corporation of Tyne Metropolitan College was dissolved with its assets and liabilities transferring to the Corporation of South Tyneside College under a "Type B merger". Simultaneously the Corporation of South Tyneside College was renamed Tyne Coast College. The merged entity is the second largest FE College in North East England, with the aim of delivering the most responsive and effective skills training for the benefit of learners and employers in the area whilst continuing to be a leading deliverer of training to the maritime industry.

Because of the particular legal form of both South Tyneside College and Tyne Metropolitan College are further education corporations (FEC) established under the Further and Higher Education Act 1992, there are a limited number of ways to effect the merger. The Government and our other regulators preferred merger route is what is known by Government as a "Type B merger" whereby one college (Tyne Metropolitan) chooses to dissolve and transfer its assets and liabilities to the other (South Tyneside); this is the route used in the overwhelming majority of mergers between FECs. This merger method is also the least time consuming and least administratively complex. There is no significance in the selection of Tyne Metropolitan as the college to dissolve; it was chosen simply on the grounds of least cost and most convenience.

As part of the merger process, the college agreed to take on the LGPS deficit for Tyne Metropolitan College, to avoid this crystallising the college had to do this before the year-end and therefore accepted a liability of £7,760k on 21 July 2017.



## **Tyne Coast College (formerly South Tyneside College)**

### **Future Prospects**

With the merger the college has increased income but also costs for 2017/18. As part of the merger process, the college took the opportunity to restructure many of its support areas to take advantage of the economies of scale the larger college brings.

The College continues 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.

After reviewing its forecasts and projections the governors have a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future. The College therefore continues to adopt the going concern basis in preparing its financial statements. This is confirmed by our current financial health rating of good, as validated by the ESFA

### **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. Following the merger these also include the Tyne Met campuses in Battle Hill and the Queen Alexandra sixth form campus

As at 31 July 2017 the College has £5,044,000 of net assets (including £18,560,000 pension liability).

During the year ended 31 July 2017 the College employs 343 people (expressed as Full Time Equivalents (FTEs)) of whom 132 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.

The college was pleased to be awarded the FE College of the Year and the Overall Provider of the Year in the Times Educational Supplement annual awards.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The College continues to develop and embed the system of internal control, including financial, operational and risk management that 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 to in their areas of operation. 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.

## **Tyne Coast College (formerly South Tyneside College)**

A high-level risk register is maintained which is reviewed by the Board and the Audit Committee on an annual basis (more frequently, where necessary). 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 curriculum/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 2016/17, 48% of the College's revenue was ultimately public funded and following the merger this percentage will increase and is expected to continue at a higher level. 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 pressures in funding for adult provision, in particular for classroom based provision and any changes that may occur if allocations are devolved to regional bodies such as the combined authority.
- 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; and
- 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.

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; and
- 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; and
- Ensuring the curriculum model is efficient in terms of delivery.
- The College is strengthening its internal delivery team to increase the volume of direct delivery.

### **2. Apprenticeship Reforms**

The College has been successful at increasing the number of apprentices through the careful selection of a number of partners to assist in delivery. The introduction of the apprenticeship levy changes our ability to deliver in this way to large employers. In addition, the apprenticeship reforms will mean that some employers may have to contribute to the cost of an apprenticeship for the first time which may reduce demand but it too soon to determine the long term impact of these changes

## **Tyne Coast College (formerly South Tyneside College)**

The risk is mitigated in a number of ways:

- The College has strengthened its in house delivery team to provide a more comprehensive offer to employers; and
- The College is working with its partners to embed a new relationship post levy

### **3. Tuition Fee Policy**

The Fee assumption remains at 50% for Further Education but FE loans are extended in 2016 which may change demand for learning. HE loans reduced College income due to a large proportion of the College's HE fees being paid by marine employers where the HE loan system doesn't meet their needs and we have been unable to charge the employers as much as we could have drawn down in a loan. There is a risk that the same thing may occur in FE courses which are now covered by FE loans where employers have traditionally contributed to the fee.

The risk is mitigated by:

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

### **4. Maintain adequate funding of pension liabilities**

The financial statements report the share of the local government pension scheme (LGPS) deficit on the College's balance sheet in line with the requirements of Financial Reporting Standard 102.

This risk is mitigated by an agreed deficit recovery plan with Tyne and Wear LGPS.

### **5. 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:

- Continued investment in maintaining and refurbishing our buildings to extend their life, taking advantage of grants wherever possible.

### **6. Demographic Changes and Increased Competition**

The College is in a period of increased competition for 16-18 places as the number of available places 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;
-

## **Tyne Coast College (formerly South Tyneside College)**

- Promote the College offer to reduce the number of learners who travel out of area to study; and
- Working with the schools to improve the offer to young people.

### **7. Failure to maintain the financial viability of the College**

The College's current financial health grade is classified as "good" as described above. This is largely the consequence of strong cash management and careful investment. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures
- Regular in year budget monitoring and reforecasting
- Robust financial controls
- Exploring ongoing procurement efficiencies

## **STAKEHOLDER RELATIONSHIPS**

In line with other colleges and universities, Tyne Coast 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**

The 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 Equality and Diversity Policy is published on the College's Intranet site.

## **Tyne Coast College (formerly South Tyneside College)**

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 regularly.

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 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.

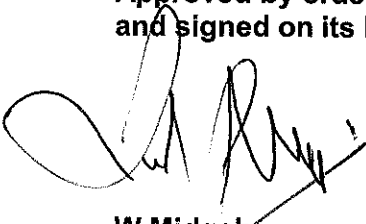
- The College continues to make reasonable adjustments to existing accommodation and to improve access as part of the College refurbishment programme;
- The College has Additional Learning Support Co-ordinators, who provide information, advice and arrange support where necessary for students with learning 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;
- The admissions policy for all students is published on the intranet. A decision not to offer a place is 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.

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### **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 auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

**Approved by order of the members of the Board on 13 December 2017  
and signed on its behalf by:**



**W Midgely**  
**Chair**

## **Tyne Coast College (formerly South Tyneside College)**

### **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 Code of Good Governance for English Colleges ("the Code"); and
- Having due regard to the UK Corporate Governance 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 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 the provisions of the Code and is and it has complied throughout the year ended 31 July 2017. 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 account of Code of Good Governance for English Colleges, which it formally adopted on 8 July 2015.

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.

## Tyne Coast College (formerly South Tyneside College)

### 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)	Terms of Office	Date of Resignation/ End of Office	Status	Committees Served (up to 31.07.2017)	Full Board Attendance (up to 31.07.2017)
Mr D Byrne	October 2011 October 2012 October 2016	1 year 4 years 3 years		College Governor	Finance & Resources. SSMS Quality & Curric, Growth Strategy, Merger Comm/Shadow Board, ST Training Services Board	71%
Mr G Clark	July 2014 July 2015	1 Year 3 Years		College Governor	Finance & Resources. Performance Review, Merger Comm/Shadow Board	100%
Mr T Cornick	August 2015 August 2016	1 Year 3 Years		College Governor	Audit, Gov & Search - SSMS Quality & Curric.- Growth Strategy Shadow Board,	100%
Mr P Davidson	Nov 2015 Nov 2016	1 Year 3 Years	31 July 2017	College Governor	Audit, Gov & Search – PVC Quality Comm – Growth Strategy – Performance Review – Merger Comm/Shadow Board – Dr Winterbottom Ch Trust	86%
Dr M Grady	Nov 2015 Nov 2016	1 Year 3 Years		College Governor	Finance & Resources - Governance & Search. PVC Quality, Comm Performance Review - Shadow Board - Dr Winterbottom Ch Trust- Growth Strategy	71%
Mr M Overton	Nov 2014 Nov 2015	1 Year 3 Years		College Governor	Audit, Gov & Search – PVC Quality, Comm - Merger Comm/Shadow Board,	100%
Mr S Mere	July 2016	1 Year (office of V. Pres. of St. Union)	31 July 2017	Student Governor	SSMS Quality & Curric. PVC Quality, Comm – Dr Winterb'm Trust	20%
Mr A Reynier	July 2016	4 Years		Staff Governor	SSMS Quality & Curric. PVC Quality, Comm	100%
Mr M Bell	July 2016	1 Year (office of Pres. of St. Union)	1 March 2017	Student Governor	SSMS Quality & Curric. Prof & Voc – Quality- Dr Winterb'm Trust	0%
Mr A Walton	March 2016 March 2017	1 Year 3 Years		College Governor	Finance & Resources - SSMS Quality & Curric – Shadow Board - Growth Strategy	57%
Mr L Watson	October 2008 October 2009 October 2013	1 year 4 years 3 years	19 October 2016	College Governor	Dr Winterbottom Ch Trust	50%



## Tyne Coast College (formerly South Tyneside College)

	October 2011 October 2012 October 2016	1 year 4 years 3 Years		College Governor	Finance & Resources. PVC Quality, Curric & Comm.- SSMS Quality & Curric. Growth Strategy – Career College – Merger Comm/Shadow Board	100%
Mrs S Wear	October 2013 October 2014 October 2017	1 Year 3 Years 4 Years		College Governor	Audit, Gov & Search - Growth Strategy	71%
Mr N Whalen-Griffiths	August 2012 August 2013 August 2016	1 year 3 years 4 years	31 July 2017	College Governor	Audit, Gov & Search – SSMS Quality & Curric.	60%
Dr L Whiterod	Oct 2009	Whilst employed as Chief Executive		Chief Executive	Finance & Resources. Gov & Search. PVC Quality, Comm. - SSMS Quality & Curric. Growth Strategy -Merger Comm/Shadow Board	100%
Mr D Young	July 2014 July 2015	1 Year 3 Years	31 July 2017	College Governor	Performance Review - Appraisal – Growth Strategy	60%
Mrs S Alexander	1 August 2017	3 Years		College Governor	N/A	N/A
Mr B Garner	1 August 2017	4 Years		College Governor	N/A	N/A
Prof G Holmes	1 August 2017	3 Years		College Governor	N/A	N/A
Mr M Hottass	1 August 2017	4 Years		College Governor	N/A	N/A
Mr C Seccombe	1 August 2017	4 Years		College Governor	N/A	N/A
Mr W Midgley	1 August 2017	5 Months 7 Months		College Governor	N/A	N/A
Dr G Cruickshank	1 August 2017	4 Years		College Governor	N/A	N/A
Ms B Neilson	18 October 2017	1 Year (office of Pres. of St. Union)		Student Governor	N/A	N/A

Mr N Longstaff (Director of Governance) 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

## **Tyne Coast College (formerly South Tyneside College)**

targets, proposed capital expenditure, quality matters, human resource issues and health and safety and environmental issues. The full Board meets four times per year.

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 2016/17 were Audit, Governance and Search; Finance & Resources; Performance Appraisal and Review; Professional & Vocational Quality, Curriculum & Community, South Shields Marine School Quality and Curriculum, Growth Strategy Working Group; Dr Winterbottom Charitable Fund; Career College North East Board and a Merger Committee which converted into a Shadow Board. Full minutes of all meetings, except those deemed to be confidential by the Board are available from Clerk to the Board, South Tyneside College site, 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.

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 (Accounting Officer) 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 an Audit, Governance and 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.

### **Board Performance**

The Board has a comprehensive self-assessment strategy on the effectiveness of its performance, both as a collective and individually. To that end:

- All governors annually complete a review and development form and forward this to the Chair, in advance of a meeting with the Chair, at which they discuss and assess their individual performance.
- The performance of the Chair is reviewed annually. Questionnaire responses are forwarded by governors and by Senior Post Holders, to the Vice-Chair. The Vice Chair

## **Tyne Coast College (formerly South Tyneside College)**

(or in his/her absence the Clerk) leads on the review outcomes and provides a summary report to the Board on the outcome of the review.

- The performance of the Board is assessed annually. The Clerk to the Board leads the review on behalf of the Chair, with individually completed questionnaires returned to the Clerk to the Board, who provides a summary paper for the Board.
- Committees each review their performance annually against their terms of reference, reporting on the outcomes of the assessment and making any arising recommendations on changes to their terms of reference, to the Board.
- The Audit, Governance and Search Committee reviews the performance of internal and external auditors annually and make any arising recommendations to the Board.
- An annual reassessment of skills and experience is undertaken and the outcomes made available to the Audit, Governance and Search Committee in their standing item review of board membership and composition.
- Comply or Explain Statements are made against the Governance Code.
- The Clerk to the Board annually reviews (or sooner if required, e.g. due to legislative changes) the Board's Instrument and Articles and supporting bye-laws, policies and code of conduct.

In addition to the above the performance of the Chief Executive, Senior Post Holders and the Clerk to the Board is reviewed by the Performance Review and Appraisal Committee annually and reported to the Board.

### **Performance Appraisal and Review Committee**

Throughout the year ended 31 July 2017 the College's Performance Appraisal and Review Committee comprised a minimum of 3 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 2017 are set out in note 6 to the financial statements.

### **Audit, Governance and Search Committee**

The Audit, Governance and Search Committee, comprises a minimum of 5 members of the Board (excluding the Chief Executive and Chair when Audit matters are under consideration). The Committee operates in accordance with written terms of reference approved by the Board.

The Committee meets three 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 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 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.

## **Tyne Coast College (formerly South Tyneside College)**

### **Shadow Board**

During the year the Board agreed to convert the Merger Committee into a full Shadow Board with the terms of reference being established in the spirit of The Collaboration Arrangements (Maintained Schools and Further Education Bodies) (England) Regulations 2007.

The Shadow Board's written terms of reference was approved by both South Tyneside College and Tyne Metropolitan College Board. Its purpose was to oversee and steer action and progress relating to the proposed merger of the two Colleges.

Membership comprised of the following:

1. Chair of Tyne Metropolitan College
2. Chief Executive of merged College (designate)
3. College Governors of merged College Board (as determined by Tyne Metropolitan College's Board on 22 March and South Tyneside College's Board on 29 March 2017)

The Shadow Board met on 3 occasions between April and July 2017.

### **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 Tyne Coast 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 2017 and up to the date of approval of the annual report and accounts.

## **Tyne Coast College (formerly South Tyneside College)**

### *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 2017 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 ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are 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 auditors;
- 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 auditors, the reporting accountant for regularity assurance and the appointed funding auditors in their management letters and other reports.

The Accounting Officer has been 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 executive group receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms,

## **Tyne Coast College (formerly South Tyneside College)**

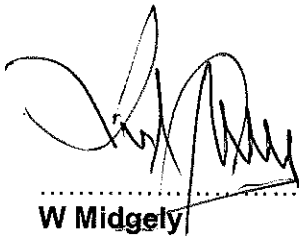
which are embedded within the departments and reinforced by risk awareness training. The senior executive group and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level 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 and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2017 meeting, the Board carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

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".

### **Going concern**

After making appropriate enquiries, the Board considers that the College has adequate resources to continue in operational existence for the foreseeable future. This is based on financial planning taking into account government policy for funding colleges and assessing our levels of reserves. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

**Approved by order of the members of the Board on 13 December 2017 and signed on its behalf by:**



**W Midgely**  
**Chair**  
**13 December 2017**



**L. Whiterod**  
**Chief Executive**  
**13 December 2017**

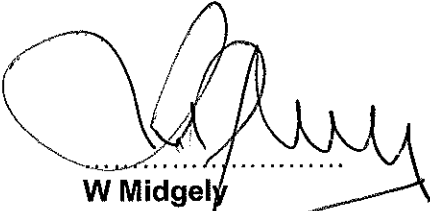
## **Tyne Coast College (formerly South Tyneside College)**

### **STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE**

The Board has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the college's financial memorandum. 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 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 ESFA.



.....  
**W Midgely**  
**Chair of Governors**  
**13 December 2017**



.....  
**L. Whiterod**  
**Chief Executive & Accounting Officer**  
**13 December 2017**

## **Tyne Coast College (formerly 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 College's Financial Memorandum with the ESFA, the Board, through its Chief Executive as Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction for 2015 to 2016 issued by the ESFA 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 a Strategic Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The 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.

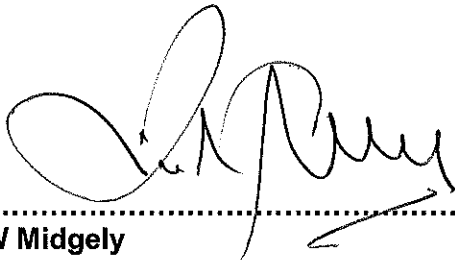
Members of the Board are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum with the ESFA and any other conditions that the ESFA 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



## **Tyne Coast College (formerly 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 ESFA are not put at risk.

**Approved by order of the members of the Governing Body on 13 December 2017 and signed on its behalf by:**

A handwritten signature in black ink, appearing to read 'W Midgely', is written over a horizontal dotted line.

**W Midgely  
Chair**

## **Tyne Coast College (formerly South Tyneside College)**

### **INDEPENDENT AUDITOR'S REPORT TO CORPORATION OF TYNE COAST COLLEGE (FORMERLY SOUTH TYNESIDE COLLEGE)**

#### **Opinion**

We have audited the financial statements of Tyne Coast College (formerly South Tyneside College) ("the College") for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017, and of the College's income and expenditure, gains and losses and changes in reserves, and of the College's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the College in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### **Other information**

The Corporation is responsible for the other information, which comprises the strategic report, the Corporation's statement of corporate governance and internal control and Statement of Regularity, Propriety and Compliance. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

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

Under the Post-16 Audit Code of Practice 2016 to 2017 (March 2017) issued jointly by the Skills Funding Agency and the Education Funding Agency we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the College; or
- the College's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## **Tyne Coast College (formerly South Tyneside College)**

### **Corporation's responsibilities**

As explained more fully in their statement set out on page 23, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Corporation, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.



**Mick Thompson**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

13 December 2017

## **Tyne Coast College (formerly South Tyneside College)**

### **REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE BOARD OF TYNE COAST COLLEGE (EORMERLY SOUTH TYNESIDE COLLEGE) AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION**

In accordance with the terms of our engagement letter dated 3 November 2017 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 Tyne Coast College (formerly South Tyneside College) during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the 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 the Education and Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Tyne Coast College (formerly South Tyneside College) College and the Education and 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 Tyne Coast College (formerly South Tyneside College) College and Education 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 Tyne Coast College (formerly South Tyneside College) College and the Education and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

#### **Respective responsibilities of Tyne Coast College (formerly South Tyneside College) College and the reporting accountant**

The corporation of Tyne Coast College (formerly South Tyneside College) 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 Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 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 Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

## **Tyne Coast College (formerly 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 limited assurance conclusion on regularity consistent with the requirements of the Post-16 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 1 August 2016 to 31 July 2017 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, Statutory Auditor**  
*Chartered Accountants*  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

13 December 2017



# Tyne Coast College (formerly South Tyneside College)

## Tyne Coast College (formerly South Tyneside College) Statement of Comprehensive Income

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
<b>INCOME</b>			
Funding body grants	2	12,577	12,635
Tuition fees and education contracts	3	11,413	11,404
Other income	4	2,182	2,918
Investment income	5	30	62
<b>Total income</b>		<b>26,202</b>	<b>27,019</b>
<b>EXPENDITURE</b>			
Staff costs	6	21,737	14,383
Restructuring costs	6	183	248
Other operating expenses	7	9,712	10,534
Depreciation	9	1,997	2,049
Interest and other finance costs	8	330	360
<b>Total expenditure</b>		<b>33,959</b>	<b>27,574</b>
<b>Deficit before other gains and losses</b>		<b>(7,757)</b>	<b>(555)</b>
Analysed as:			
Operating surplus / (deficit) before exceptional items		131	(555)
Net pre-merger costs re Tyne Metropolitan College	7	(128)	-
Pension deficit settlement from Tyne Metropolitan College	6	(7,760)	-
Operating deficit after exceptional items		<b>(7,757)</b>	<b>(555)</b>
Loss on disposal of assets	9	(5)	(79)
<b>Deficit before tax</b>		<b>(7,762)</b>	<b>(634)</b>
Taxation		-	-
<b>Deficit for the year</b>		<b>(7,762)</b>	<b>(634)</b>
Actuarial gain / (loss) in respect of pension scheme		3,680	(4,300)
Revaluation of heritage assets		-	5
<b>Total Comprehensive Income for the year</b>		<b>(4,082)</b>	<b>(4,929)</b>

# Tyne Coast College (formerly South Tyneside College)

## Tyne Coast College (formerly South Tyneside College) Statement of Changes in Reserves

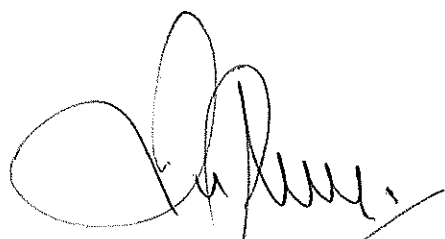
	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
<b>College</b>			
<b>Balance at 1st August 2015</b>	6,980	7,075	14,055
Deficit from the income and expenditure account	(634)	-	(634)
Other comprehensive income	(4,300)	5	(4,295)
Transfers between revaluation and income and expenditure reserves	172	(172)	-
<b>Total comprehensive income for the year</b>	<b>(4,762)</b>	<b>(167)</b>	<b>(4,929)</b>
<b>Balance at 31st July 2016</b>	2,218	6,908	9,126
Deficit from the income and expenditure account	(7,762)	-	(7,762)
Other comprehensive income	3,680	-	3,680
Transfers between revaluation and income and expenditure reserves	172	(172)	-
<b>Total comprehensive income for the year</b>	<b>(3,910)</b>	<b>(172)</b>	<b>(4,082)</b>
<b>Balance at 31st July 2017</b>	<b>(1,692)</b>	<b>6,736</b>	<b>5,044</b>

# Tyne Coast College (formerly South Tyneside College)


## Tyne Coast College (formerly South Tyneside College) Balance sheet as at 31 July

	Notes	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Tangible fixed assets	9	27,879	28,920
Heritage assets	9	324	324
		<b>28,203</b>	<b>29,244</b>
<b>Current assets</b>			
Trade and other debtors	10	3,747	2,512
Investments	11	-	1,000
Cash and cash equivalents	15	8,377	4,367
		<b>12,124</b>	<b>7,879</b>
<b>Less: Creditors – amounts falling due within one year</b>	12	(10,675)	(7,454)
<b>Net current assets</b>		<b>1,449</b>	<b>425</b>
<b>Total assets less current liabilities</b>		<b>29,652</b>	<b>29,669</b>
<b>Less: Creditors – amounts falling due after more than one year</b>	13	(6,048)	(6,413)
<b>Provisions</b>			
Defined benefit obligations	14	(18,560)	(14,130)
<b>Total net assets</b>		<b>5,044</b>	<b>9,126</b>
<b>Unrestricted reserves</b>			
Income and expenditure account		(1,692)	2,218
Revaluation reserve		6,736	6,908
<b>Total unrestricted reserves</b>		<b>5,044</b>	<b>9,126</b>

The financial statements on pages 29 to 55 were approved and authorised for issue by the Corporation on 13 December 2017 and were signed on its behalf on that date by:



**W Midgely**  
Chair



**L Whiterod**  
Accounting Officer



# Tyne Coast College (formerly South Tyneside College)

## Tyne Coast College (formerly South Tyneside College) Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
<b>Cash inflows from operating activities</b>			
Deficit for the year		(7,762)	(634)
<b>Adjustment for non cash items:</b>			
Depreciation		1,997	2,049
Increase in debtors		(1,235)	(1,179)
Increase in creditors due within one year		3,221	427
(Decrease)/Increase in creditors due after one year		(365)	762
Decrease in provisions		-	(18)
Pensions costs less contributions payable		8,110	350
<b>Adjustment for investing or financing activities:</b>			
Investment income		(30)	(62)
Interest payable		-	40
Loss on sale of fixed assets		5	79
		<u>3,941</u>	<u>1,814</u>
<b>Net cash flow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	-
Transfer from / (to) current asset investments		1,000	(1,000)
Investment income		30	62
Payments made to acquire fixed assets		(961)	(5,073)
		<u>69</u>	<u>(6,011)</u>
<b>Cash flows from financing activities</b>			
Interest paid		-	(40)
Repayments of amounts borrowed		-	(1,366)
		<u>-</u>	<u>(1,406)</u>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<u>4,010</u>	<u>(5,603)</u>
Cash and cash equivalents at beginning of the year	15	4,367	9,970
Cash and cash equivalents at end of the year	15	8,377	4,367

## **Tyne Coast College (formerly South Tyneside College)**

### **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2017**

#### **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 financial statements.

##### **Basis of preparation**

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The functional and presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

##### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

##### **Going Concern**

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

The College had no loans on 31 July 2017 but as part of the merger on 1 August 2017 took out a loan with Handelsbanken secured on part of the college estate. The term is three years. The college's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

##### **Recognition of Income**

###### *Revenue Grant Funding*

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end,

## **Tyne Coast College (formerly South Tyneside College)**

### **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2017 CONTINUED**

#### **1. Statement of principal accounting policies (continued)**

and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

#### *Capital grant funding*

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102.

Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

#### *Fee Income*

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

#### *Investment Income*

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

#### *Agency arrangements*

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

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

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

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the

## **Tyne Coast College (formerly South Tyneside College)**

### **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2017 CONTINUED**

#### **1. Statement of principal accounting policies (continued)**

contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

#### **Short term Employment benefits**

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

#### **Non-current Assets - Tangible fixed assets**

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

##### *Land and Buildings*

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

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

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

## **Tyne Coast College (formerly South Tyneside College)**

### **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2017 CONTINUED**

#### **1. Statement of principal accounting policies (continued)**

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 40 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 15 and 40 years.

Where land and buildings are acquired with the aid of specific government grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of buildings, which were revalued in 1992 as deemed cost but to revalue the land and to treat that as deemed cost but not to adopt a policy of revaluations of these properties in the future.

#### *Assets under construction*

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

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

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

#### *Equipment*

Equipment costing less than £1,000 is recognised as expenditure in the period of acquisition. All other equipment is capitalised at 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 10 years

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

#### *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.

## **Tyne Coast College (formerly South Tyneside College)**

### **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2017 CONTINUED**

#### **1. Statement of principal accounting policies (continued)**

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

#### **Maintenance of Premises**

The cost of routine corrective maintenance is charged to the Statement of Comprehensive Income 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.

#### **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a small percentage of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

#### **Cash and Cash Equivalents**

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

## **Tyne Coast College (formerly South Tyneside College)**

### **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2017 CONTINUED**

#### **1. Statement of principal accounting policies (continued)**

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

#### **Financial liabilities and equity**

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

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

#### **Provisions and contingent liabilities**

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

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

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

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

#### **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 of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

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

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

## **Tyne Coast College (formerly South Tyneside College)**

### **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2017 CONTINUED**

#### **1. Statement of principal accounting policies (continued)**

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

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

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.



# Tyne Coast College (formerly South Tyneside College)

## Tyne Coast College (formerly South Tyneside College) Notes to the Accounts (continued)

### 2 Funding council grants

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
<b>Recurrent grants</b>		
Skills Funding Agency	3,248	3,498
Education Funding Agency	7,313	7,201
Higher Education Funding Council	440	545
<b>Specific Grants</b>		
Skills Funding Agency	994	858
Education Funding Agency	169	128
Releases of government capital grants	413	405
	<hr/>	<hr/>
<b>Total</b>	<b>12,577</b>	<b>12,635</b>

### 3 Tuition fees and education contracts

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2016 Group £'000
Adult education fees	4,231	4,066
Apprenticeship fees and contracts	212	322
Fees for FE loan supported courses	804	296
Fees for HE loan supported courses	2,092	2,373
International students fees	3,673	4,014
Total tuition fees	<hr/> 11,012	<hr/> 11,071
Education contracts	401	333
	<hr/>	<hr/>
<b>Total</b>	<b>11,413</b>	<b>11,404</b>

# Tyne Coast College (formerly South Tyneside College)

## Tyne Coast College (formerly South Tyneside College) Notes to the Accounts (continued)

### 4 Other income

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2016 Group £'000
Catering and residences	1,217	1,196
Other income generating activities	303	465
Non funding body government capital grants	49	42
Miscellaneous income	613	1,215
	<hr/>	<hr/>
<b>Total</b>	<b>2,182</b>	<b>2,918</b>
	<hr/>	<hr/>

### 5 Investment income

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Other investment income	30	62
	<hr/>	<hr/>
<b>Total</b>	<b>30</b>	<b>62</b>
	<hr/>	<hr/>

## Tyne Coast College (formerly South Tyneside College)

### Tyne Coast College (formerly South Tyneside College) Notes to the Accounts (continued)

#### 6 Staff costs

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

	2017 No.	2016 No.
Teaching staff	132	147
Non teaching staff	211	208
	<u>343</u>	<u>355</u>
<b>Staff costs for the above persons</b>		
	2017 £'000	2016 £'000
Wages and salaries	9,751	10,158
Social security costs	889	789
Other pension costs	1,749	1,754
Pension deficit settlement from Tyne Metropolitan College	7,760	-
	<u>20,149</u>	<u>12,701</u>
Payroll sub total	20,149	12,701
Contracted out staffing services	1,588	1,682
	<u>21,737</u>	<u>14,383</u>
Restructuring costs - contractual	183	248
	<u>21,920</u>	<u>14,631</u>

As part of the merger process, the College agreed to take on the LGPS deficit for Tyne Metropolitan College. To avoid this crystallising the College had to do this before the year end and therefore accepted a liability of £7,760k on 21 July 2017, which is recorded within staff costs.

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Executive Group which comprises the Chief Executive, Deputy Chief Executive, 2 Principals and 1 Director. Staff costs include compensation paid to key management personnel for loss of office.

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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	<u>5</u>	<u>6</u>

# Tyne Coast College (formerly South Tyneside College)

## Tyne Coast College (formerly South Tyneside College) Notes to the Accounts (continued)

### 6 Staff costs (continued)

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

	Key management personnel		Other staff	
	2017 No.	2016 No.	2017 No.	2016 No.
£50,001 to £60,000	1	2	-	-
£80,001 to £90,000	2	2	-	-
£90,001 to £100,000	1	1	-	-
£150,001 to £160,000	-	1	-	-
£160,001 to £170,000	1	-	-	-
	<u>5</u>	<u>6</u>	<u>-</u>	<u>-</u>

Key management personnel emoluments are made up as follows:

	2017 £'000	2016 £'000
Salaries	<u>468</u>	<u>522</u>
Pension contributions	<u>78</u>	<u>83</u>
<b>Total emoluments</b>	<u><b>546</b></u>	<u><b>605</b></u>

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

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

	2017 £'000	2016 £'000
Salaries	<u>161</u>	<u>160</u>
Pension contributions	<u>26</u>	<u>26</u>

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

# Tyne Coast College (formerly South Tyneside College)

## Tyne Coast College (formerly South Tyneside College) Notes to the Accounts (continued)

### 7 Other operating expenses

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2016 Group £'000
Teaching costs	5,513	6,185
Non teaching costs	2,613	2,789
Premises costs	1,586	1,560
<b>Total</b>	<b>9,712</b>	<b>10,534</b>

In preparation for the merger with Tyne Metropolitan College, the College incurred £128k of legal and due diligence costs which have been expensed as non-teaching costs within operating expenses.

#### Other operating expenses include:

	2017 £'000	2016 £'000
Auditors' remuneration:		
Financial statements audit	23	23
Internal audit	30	26
Other services provided by the financial statements auditors	36	5
Other services provided by the internal auditors	38	12
Hire of assets under operating leases	835	824

### 8 Interest payable

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:	-	40
Pension finance costs (note 21)	330	320
<b>Total</b>	<b>330</b>	<b>360</b>

# Tyne Coast College (formerly South Tyneside College)

## Tyne Coast College (formerly South Tyneside College)

### Notes to the Accounts (continued)

#### 9 Tangible fixed assets

	Land and buildings Freehold £'000	Equipment £'000	Total £'000
<b>Cost or deemed cost</b>			
At 1 August 2016	46,346	6,553	52,899
Additions	156	805	961
Disposals	-	(72)	(72)
<b>At 31 July 2017</b>	<b>46,502</b>	<b>7,286</b>	<b>53,788</b>
<b>Depreciation</b>			
At 1 August 2016	20,626	3,353	23,979
Charge for the year	1,391	606	1,997
Elimination in respect of disposals	-	(67)	(67)
<b>At 31 July 2017</b>	<b>22,017</b>	<b>3,892</b>	<b>25,909</b>
<b>Net book value at 31 July 2017</b>	<b>24,485</b>	<b>3,394</b>	<b>27,879</b>
Net book value at 31 July 2016	25,720	3,200	28,920

On transition to FRS 102 freehold land and buildings are stated at deemed cost less accumulated depreciation and accumulated impairment losses. An independent valuation of freehold land was undertaken as at 31 July 2016 and the fair value of freehold land assets is included within these financial statements. The valuation was undertaken by BNP Paribas, a qualified firm of Chartered Surveyors in accordance with RICS Standards and on an open market basis. Land and buildings inherited from the Local Education Authority are held at deemed cost, from a valuation based on the assets' depreciated replacement cost for existing use as at the date of incorporation.

#### 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.

Cost or valuation	£'000
1 August 2016	324
31 July 2017	324

The college's external valuer, Anderson & Garland, carried out a full revaluation of the college's heritage assets as at 31 July 2016. The revaluation of these assets was based on valuation for insurance purposes.

# Tyne Coast College (formerly South Tyneside College)

## Tyne Coast College (formerly South Tyneside College) Notes to the Accounts (continued)

### 10 Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade debtors	3,078	2,244
Prepayments and accrued income	669	268
<b>Total</b>	<b><u>3,747</u></b>	<b><u>2,512</u></b>

### 11 Current investments

	2017 £'000	2016 £'000
Short term deposits	-	1,000
<b>Total</b>	<b><u>-</u></b>	<b><u>1,000</u></b>

A £1m deposit is held at Lloyds Bank attracting interest at a rate of 1.25% per annum. This deposit matured in June 2017.

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

	2017 £'000	2016 £'000
Trade creditors	528	493
Payments received in advance	6,100	2,888
Holiday pay accrual	465	492
Other taxation and social security	238	243
Accruals and deferred income	1,676	2,310
Deferred income - government capital grants	448	427
Amounts owed to the Education and Skills Funding Agency	1,220	601
<b>Total</b>	<b><u>10,675</u></b>	<b><u>7,454</u></b>

### 13 Creditors: amounts falling due after one year

	2017 £'000	2016 £'000
Deferred income - government capital grants	6,048	6,413
<b>Total</b>	<b><u>6,048</u></b>	<b><u>6,413</u></b>

# Tyne Coast College (formerly South Tyneside College)

## Tyne Coast College (formerly South Tyneside College) Notes to the Accounts (continued)

### 14 Provisions

	Defined benefit obligations £'000	Restructuring £'000	Total £'000
At 1 August 2016	14,130	-	14,130
Expenditure in the period	-	-	-
Transferred from income and expenditure account	(3,330)	-	(3,330)
Pension deficit settlement from Tyne Metropolitan College	7,760	-	7,760
<b>At 31 July 2017</b>	<b>18,560</b>	<b>-</b>	<b>18,560</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 21.

### 15 Cash and cash equivalents

	At 1 August 2016 £'000	Cash flows £'000	At 31 July 2017 £'000
Cash and cash equivalents	4,367	4,010	8,377
<b>Total</b>	<b>4,367</b>	<b>4,010</b>	<b>8,377</b>

### 16 Financial instruments

	2017 £'000	2016 £'000
<i>Financial assets measured at amortised cost</i>		
Trade debtors	3,078	2,244
Current investments	-	1,000
	<b>3,078</b>	<b>3,244</b>
<i>Financial liabilities measured at amortised cost</i>		
Trade payables	528	493
Amounts owed to the Education and Skills Funding Agency	1,220	601
	<b>1,748</b>	<b>1,094</b>

### 17 Capital commitments

	2017 £'000	2016 £'000
Commitments contracted for at 31 July	-	-



## Tyne Coast College (formerly South Tyneside College)

### Tyne Coast College (formerly South Tyneside College) Notes to the Accounts (continued)

#### 18 Lease Obligations

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

	2017 £'000	2016 £'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	31	31
Later than one year and not later than five years	14	42
	<u>45</u>	<u>73</u>
<b>Other</b>		
Not later than one year	816	688
Later than one year and not later than five years	2,617	1,794
	<u>3,433</u>	<u>2,482</u>

#### 19 Contingent liabilities

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.

#### 20 Events after the reporting period

South Tyneside College and Tyne Metropolitan College merged on 1 August 2017, with the merged college name being changed to Tyne Coast College.

## Tyne Coast College (formerly South Tyneside College)

### Tyne Coast College (formerly South Tyneside College) Notes to the Accounts (continued)

#### 21 Defined benefit obligations

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

Total pension cost for the year	2017 £'000	2016 £'000
Teachers Pension Scheme: contributions paid	804	864
Local Government Pension Scheme:		
Contributions paid	1,210	860
FRS 102 (28) charge	20	30
Transfer of pension deficit from Tyne Metropolitan College	7,760	-
Charge to the Statement of Comprehensive Income	8,990	30
<b>Total Pension Cost for Year within staff costs</b>	<b>9,794</b>	<b>894</b>

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 £191,000 (2016: £203,000 ) were payable to the scheme and are included in creditors.

#### Teachers' Pension Scheme

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

#### The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' 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.

## **Tyne Coast College (formerly South Tyneside College)**

### **Tyne Coast College (formerly South Tyneside College) Notes to the Accounts (continued)**

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

##### **Valuation of the Teachers' Pension Scheme**

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

- employer contribution rates were set at 16.48% 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 was implemented in September 2015.

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

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

##### **Scheme Changes**

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

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

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

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

The pension costs paid to TPS in the year amounted to £804,000 (2016: £864,000)

##### **FRS 102 (28)**

Under the definitions set out in FRS 102 (28.11), 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 FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

## Tyne Coast College (formerly South Tyneside College)

### Tyne Coast College (formerly South Tyneside College) Notes to the Accounts (continued)

#### 21 Defined benefit obligations (continued)

##### 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 2017 was £1,116,614, of which employer's contributions totalled £923,230 and employees' contributions totalled £237,384. The agreed contribution rates for future years are 18.4% for employers and range from 5.5% to 12.5% for employees, depending on salary.

##### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 1 March 2016 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.50%	3.30%
Future pensions increases	2.00%	1.80%
Discount rate for scheme liabilities	2.60%	2.40%
Inflation assumption (CPI)	2.00%	1.80%
Inflation assumption (RPI)	3.10%	2.90%

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 2017 years	At 31 July 2016 years
<i>Retiring today</i>		
Males	22.80	23.20
Females	26.30	24.80
<i>Retiring in 20 years</i>		
Males	25.00	25.30
Females	28.60	27.10

# Tyne Coast College (formerly South Tyneside College)

## Tyne Coast College (formerly South Tyneside College) Notes to the Accounts (continued)

### 21 Defined benefit obligations (continued)

#### Local Government Pension Scheme (Continued)

The fair value of the plan assets and the return on those assets were as follows:

	Asset allocation at 31 July 2017	Fair Value at 31 July 2017	Asset allocation at 31 July 2016	Fair Value at 31 July 2016
		£'000		£'000
Equities	66.10%	33,083	66.30%	18,232
Government Bonds	3.90%	1,952	3.80%	1,045
Corporate Bonds	11.50%	5,756	11.50%	3,163
Property	9.00%	4,505	10.00%	2,750
Cash	3.90%	1,952	3.00%	825
Other	5.60%	2,802	5.40%	1,485
<b>Total market value of assets</b>		<b>50,050</b>		<b>27,500</b>
<b>Actual return on plan assets</b>		<b>3,350</b>		<b>2,830</b>

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

	2017 £'000	2016 £'000
Fair value of plan assets	50,050	27,500
Present value of plan liabilities	(68,610)	(41,630)
<b>Net pensions liability (Note 14)</b>	<b>(18,560)</b>	<b>(14,130)</b>

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

	2017 £'000	2016 £'000
<b>Amounts included in staff costs</b>		
Current service cost	(1,230)	(890)
Transfer of pension deficit from Tyne Metropolitan College	(7,660)	-
<b>Total</b>	<b>(8,890)</b>	<b>(890)</b>

#### Amounts included in interest expense

	2017 £'000	2016 £'000
Net interest on defined benefit liability (note 8)	330	320
<b>Total</b>	<b>330</b>	<b>320</b>

#### Amounts recognised in Other Comprehensive Income

	2017 £'000	2016 £'000
Return on pension plan assets	2,690	1,970
Experience losses arising on defined benefit obligations	990	(6,270)
<b>Amount recognised in Other Comprehensive Income</b>	<b>3,680</b>	<b>(4,300)</b>

# Tyne Coast College (formerly South Tyneside College)

## Tyne Coast College (formerly South Tyneside College) Notes to the Accounts (continued)

### 21 Defined benefit obligations (continued)

#### Local Government Pension Scheme (Continued)

#### Movements in net defined benefit liability during the year

	2017 £'000	2016 £'000
Deficit in scheme at 1 August	(14,130)	(9,480)
Movement in year:		
Current service cost	(1,230)	(890)
Employer contributions	1,210	860
Net interest on the defined pension liability	(330)	(320)
Transfer of pension liability from Tyne Metropolitan College	(7,760)	-
Remeasurement gains on plan assets	2,690	1,970
Actuarial gain or loss	990	(6,270)
<b>Net defined benefit liability at 31 July</b>	<b><u>(18,560)</u></b>	<b><u>(14,130)</u></b>

#### Asset and Liability Reconciliation

	2017 £'000	2016 £'000
<b>Movements in present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	(41,630)	(34,160)
Current Service cost	(1,230)	(890)
Interest expense on defined benefit obligation	(990)	(1,180)
Contributions by participants	(240)	(240)
Actuarial gains / (losses) on liabilities	990	(6,270)
Net benefits paid out	1,090	1,110
Transfer from Tyne Metropolitan College	(26,600)	-
<b>Defined benefit obligations at end of period</b>	<b><u>(68,610)</u></b>	<b><u>(41,630)</u></b>

#### Movements in fair value of plan assets

<b>Fair value of plan assets at start of period</b>	27,500	24,680
Income on assets	660	860
Remeasurement gain on plan assets	2,690	1,970
Contributions by the employer	1,210	860
Contributions by participants	240	240
Net benefits paid out	(1,090)	(1,110)
Transfer from Tyne Metropolitan College	18,840	-
<b>Assets at end of period</b>	<b><u>50,050</u></b>	<b><u>27,500</u></b>

## **Tyne Coast College (formerly South Tyneside College)**

### **Tyne Coast College (formerly South Tyneside College) Notes to the Accounts (continued)**

#### **22 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 £249; 1 governor (2016 £448; 4 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 during the year (2016: None). The college did however reimburse Groundworks South Tyneside and Newcastle £5,000 for additional duties carried out by the College Chair in review to the Area Review process and the merger with Tyne Metropolitan College.

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

The college purchased additional Chair's duties relating to the college merger value £5,000 (2016: NIL) from Groundwork South Tyneside and Newcastle. In 2016, Groundworks provided £16,000 of training services. 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 £131,000 (2016: £136,000) 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 £9,000 (2016: £22,000) 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 £6,000 membership and services fees (2016: £1,000) 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 Academy Trust Sponsored by South Tyneside College - a local primary school sponsored by South Tyneside College**

The college provided the academy trust with ICT, finance and management services at a total cost of £62,000 (2016 £58,000), with these services being provided at a less than cost basis due to the college not charging the academy trust with a contribution towards overheads.

# Tyne Coast College (formerly South Tyneside College)

## Tyne Coast College (formerly South Tyneside College) Notes to the Accounts (continued)

### 23 Amounts disbursed as agent

Learner support funds		2017	2016
		£'000	£'000
Funding body grants – bursary support		479	477
Funding body grants – discretionary learner support		0	348
Funding body grants – residential bursaries		16	4
		<u>495</u>	<u>829</u>
Disbursed to students		(429)	(528)
Administration costs		(25)	(40)
		<u>41</u>	<u>261</u>
Balance unspent as at 31 July, included in creditors			

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