

**Tyne Coast College**

**Report and Financial Statements  
for the Year Ended 31 July 2019**

## **Tyne Coast 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 2018/19:

Dr Lindsey Whiterod CBE, Chief Executive Officer; Accounting Officer  
Ms Alison Maynard, Deputy Chief Executive  
Ms Helen Beaton, Chief Finance Officer (to 31/12/2018)  
Ms Jane Cuthbertson, Chief Finance Officer (from 01/08/2019)  
Ms Catherine Donnelly, Executive Director of Human Resources  
Mr John Roach, Principal South Shields Marine School  
Ms Audrey Kingham, Principal Tyne Metropolitan College (from 01/08/2018)

#### **Board of Governors**

A full list of Governors is given on pages 16 and 17 of these financial statements.

Mr Neil Longstaff, Director of Governance, 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

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# **Tyne Coast 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 2019.

Tyne Coast College 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.

### **Legal Status**

The Tyne Coast College Board was established on 1<sup>st</sup> August 2017 under the Further and Higher Education Act 1992. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

### **Vision and Mission**

Our vision: Unlocking your Full Potential

Our mission is to provide outstanding educational opportunities for the benefit of the students and the communities we serve.

### **Implementation of Business Plan**

The College adopted a business plan for the period 1 August 2018 to 31 July 2023.

The College's key goals are:

1. Delivering outstanding education: teaching and learning

Teaching excellence must be at the heart of a world-leading Further Education college. For students and employers, who now invest substantially in their education, it is of critical importance. We are committing in this plan to stimulate greater innovation in teaching and to share excellent and expert practice across all curriculum areas, working closely with the Further Education sector bodies and with partner organisations worldwide. More generally, we need to build better ways of capturing excellent educational outcomes, and of refining existing indicators of students' learning experiences and progression to employment or further study or learning gain, and we will explore how we might promote increases in social capital and social agency. Supporting the interests of students by ensuring they have relevant and trustworthy information about employment opportunities and career paths, will continue to be an important aspect of our work.

In the period from 2018 to 2023, we will give key attention to high-level technical knowledge and skills. We will work with employers and partners to improve the range of professionally recognised technical routes on offer to students at levels 1-6, and to the progression pathways from intermediate to advanced levels, including pathways to and from apprenticeships and for part-time students alongside their work. Whatever choice they make during and after leaving school, our students should be able to develop their careers at any stage by taking appropriate opportunities to learn, to re-skill, and to obtain qualifications, which are recognised and valued by employers and by society more generally. We will continue to support the need for participation in science, technology,

## **Tyne Coast College**

engineering and mathematics (STEM) subjects, and we will take steps to develop key subjects in other areas where this serves regional, employer and LEP interest.

### **2. Supporting social mobility**

We are a major contributor to inter-generational social mobility. We enable individuals from all backgrounds to achieve their full potential as citizens, as professionals, and as highly skilled and valued employees. While progress has been made in the last five years to improve access to education from under-represented groups, there is still more to do. Continuing the improvement in participation from all under-represented groups, and eliminating unacceptable disparities in achievement and progression outcomes, therefore remain important objectives on which we will continue to lead.

During the 2018-2023 period, we will work to increase enrolments by developing increasingly deep relationships with schools and employers. Students with disabilities have long been central to the colleges' support for access and student success, but there is a need during the period of this plan to refresh our understanding of the latest challenges and practice across the sector, and to ensure that our teaching approach remains optimal. We are tackling this by gathering evidence on how students with specific learning difficulties are being supported, and on provision for students with mental health problems and/or physical impairments where intensive or multi-agency support is required. These studies will feed into our wider plans for supporting every student. We will nurture enterprise and entrepreneurship across the private, public and voluntary sectors, and we are attuned to the competitive world in which we live. We deliver both economic and social innovation. We will support spin-outs and start-ups from our own students and staff; provide services to entrepreneurs; develop links with business and science parks where small and medium-sized companies find an environment conducive to innovation and growth; participate in inward investment initiatives; and engage with businesses more broadly in response to their needs. We are an important 'anchor' and 'place-maker' in our local and regional geography. Through 'smart specialisation', and our expertise in skills development, we will contribute proactively to the economic development priorities of our North East LEP and NECA. We play a leading role in the social, cultural and intellectual life of the towns and communities in which we are located.

### **3. Quality in everything we do**

Quality assessment and assurance is an essential part of our business plan. Our future quality procedures must continue to be internationally respected, to have the confidence of students, employers and Ofsted, and support our world-class reputation. During the early years of this plan we will develop future approaches to our assessment of quality in our Further and Higher Education delivery to ensure we robustly enforce the highest standards. We will develop innovative approaches to our quality assurance systems that are risk-based, proportionate, affordable and low-burden. Any new arrangements must build on established strengths and good practice, and reflect the values and cultures of the college.

In fulfilling our responsibilities with regard to quality assurance, we have always relied on our own robust quality assurance systems and we will continue to benchmark and use external validation to ensure we are challenged on everything we do.

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### **4. Financial sustainability and efficiency**

We will work with Governors, Auditors, Funders and Regulators to ensure we are managed on a financially sustainable basis. It is vital that the college continues to invest in its facilities and infrastructure and to develop collaborative arrangements for their use where appropriate. Our capital funding for teaching and learning will be targeted in an efficient way to ensure value for money and to support the college in providing facilities that are up-to-date and relevant. We will continue to monitor and evaluate the quality of the college's estate. Both predecessor colleges have a strong record for delivering efficiencies while maintaining high-quality teaching and learning. As public finances are likely to remain stretched during the period of this business plan, there will be a sharpening focus on the efficiencies delivered by the combined college.

### **5. Work in partnership**

To meet our objectives, we need to work with and through others. We will promote a constructive dialogue with schools and universities, and with their representative partners. We will continue to work and develop stronger relationships with employers and industry bodies. We will seek to develop positive relationships with new providers, with new entrants to the publicly funded sector and with international bodies where relevant.

### **6. Communications**

Professional, targeted and effective communications are critical to the delivery of our aims and objectives. Our stakeholder surveys found high levels of partner and stakeholder satisfaction with the way we communicate. We also want to improve the ways that we listen to and engage with our stakeholders, and we want to do more to ensure that we are communicating clearly and consistently about what we are doing. We will ensure that the prospectuses and information we publish are more accessible and disseminated to a wider audience in order to stimulate recruitment. We are considering how to focus our communications more effectively to meet the needs of our different stakeholder groups, and we will improve the quality of our marketing and the way we report on their outcomes.

### **7. Growing the business**

North and South Tyneside and the wider conurbation is presented with a number of significant opportunities in the years ahead. As a region, we must take on the challenge of filling our skills gap and growing our thriving sectors, and we must continue to regenerate and redevelop those areas of our region that can best attract new investment, industry and jobs.

We must also be mindful that there are still areas of our region, which need support – where high unemployment and low levels of skills and aspiration remain. Tyne Coast College plays a vital role in North and South Tyneside and the wider region's future prosperity but with past and potential future cuts in funding, we must think more innovatively to make our resources and influence go further. The Government's expectations of the FE sector have also evolved. An emphasis on the delivery of apprenticeships and higher level technical qualifications means that the college must work much more closely with local businesses and employer bodies to ensure we are fully responsive to changing needs and skills gaps.

We will also increase our income diversification and continue to grow our commercial activity to reduce our reliance on Government funding.

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It is also widely acknowledged that both North and South Tyneside have insufficient numbers of appropriately qualified residents with the required core skills to meet the emerging needs of our regional economy. We believe that Tyne Coast College is the best provider to meet these challenges, being more resilient, efficient and better able to provide a more coherent and high-quality offer. Our guiding principle throughout our planning is whether we will enhance opportunities for our local, regional and international students. As a new, stronger, more financially resilient college, we will develop specialisms nationally, internationally and in each campus and better facilitate the development of higher levels skills provision, apprenticeships and higher education opportunities. We will engage with employers and ensure that students are ready for the job opportunities of the future.

The college developed a number of strategic priorities and key performance indicators for the college and these are fed into work packages for the key operating units (South Shields Marine School, South Tyneside Professional and Vocational College and Tyne Metropolitan College) as well as the key packages for 2018/19. Further information can be found on these in the Business Plan 2018-23.

### **RESOURCES**

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

During the year ended 31 July 2019 the College employs 503 people (expressed as Full Time Equivalents (FTEs)) of whom 203 FTE are teaching staff.

Tangible resources include the South Shields campus, the Marine Offshore and Safety Training Centre on the South Shields riverside, the Tyne Metropolitan campus in Battle Hill and the Queen Alexandra sixth form campus. During 2018, a new construction centre was completed on the Tyne Metropolitan campus.

As at 31 July 2019, the College has £23,799,000 (2017/18: £32,021,000) of net assets (including £22,700,000 (2017/18: £15,190,000) pension liability) and long term debt of £8,739,000 (2017/18: £7,397,000).

The College has a good and improving reputation locally, nationally and internationally, in particular for its marine courses. Maintaining a quality brand is essential to continue to attract both local and marine students, as we compete with colleges throughout the UK and overseas. During 2018/19, the College won The Silver Pearson Teaching Awards 2018 Excellence in Special Needs Award; South Shields Marine School won the Educate North International Partnerships Award and Career College North East won the Careers College Trust Project Based Learning Best Practice Award. The college Chief Executive, Dr Lindsey Whiterod CBE, is a National Leader of Further Education.

### **STAKEHOLDERS**

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

- current, future and past students;
- staff and their trade unions;
- the employers it works with;
- the professional organisation in the sectors where it works;

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- partner schools, universities and the wider college community;
- its local councils, combined authority and Local Enterprise Partnership

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

### FINANCIAL PERFORMANCE

#### Results

The College generated a deficit before other gains and losses in the year of £3,338,000 (2017/18 – a surplus of £22,822,000, which included a merger gain of £23,482,000). £2,630,000 of this loss (2017/18 £860,000) is due to a charge on the Tyne and Wear Local Government Pension Scheme.

A key measure of financial performance of the College used by management on a day to day basis is Earnings Before Interest, Tax, Depreciation and Amortisation – Education Specific (Adjusted EBITDA). Adjusted EBITDA is one of the financial performance indicators which the college regulator, The Education and Skills Funding Agency (ESFA) uses to assess college financial health.

Adjusted EBITDA is defined as profit before net charges for depreciation and costs linked to actuarial pension movements (which are both non-cash expenses) and also before bank interest received and paid. A full reconciliation is shown on the face of the Statement of Comprehensive Income.

The college has generated an Adjusted EBITDA in the year of £1,958,000 (2017/18 £2,741,000).

#### Developments

Tangible fixed asset additions during the year were £3,037,000, of which £2,000,000 relate to the completion of the new construction centre on the Tyne Metropolitan site. The main additions are continued investment in the premises at all campuses, which included investment at the Fire Training Centre as well as IT and other equipment and furniture upgrades across all college sites.

#### Reserves

The college has accumulated reserves of £23,799,000 and cash balances of £5,885,000 (2017/18 - £32,021,000 and £6,650,000). The college wishes to continue to accumulate reserves in order to create a contingency fund and to allow continued investment in the college premises.

#### Sources of Income

The college has significant reliance on the education funding bodies for its principal funding source. In 2018/19, the Education and Skills Funding Agency (ESFA) provided 49% (2017/18: 48%) of the college's total income.



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## FUTURE PROSPECTS

### Financial Plan

The College governors approved a financial plan in July 2019, which sets objectives for the period to 2021.

### 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. 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 £574,000 (2017/18 £416,000) net cash flow from operating activities was reasonably strong. £3,037,000 of this cash inflow was used to purchase fixed assets (equipment purchases and building works). The reduction in cash in the year was £765,000 but the college still has a strong cash position of £5,885,000.

During the year ending 31 July 2019, the college took out a £1.9m revolving credit facility with Santander. This was part of the financing strategy for the construction facility new build.

### 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 £17,227,000 (2017/18 £25,365,000).

### Going Concern

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.

## 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.

Senior Management Team members undertake 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.

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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.

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/OfS. In 2018/19, 51% of the College's revenue was ultimately public funded. 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, both in terms of what is funded and the amount of funding. Adult funding is also included as part of the devolution deals, the first of which will come next year and will change how and what is funded for residents of devolved areas.
- The changes in HE funding have reduced demand from UK companies for some part time courses.
- The political uncertainty relating to the December 2019 General Election and the effect on the new government's education policy.
- The current uncertainty about Brexit and how this may affect both the national and regional economy and also the recruitment of overseas students.
- T level of funding for 16-18 delivery has remained unchanged for a number of years and the demographics show a continued reduction in the number of young people at 16.

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;
- 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;
- The College focuses on priority sectors and courses which will continue to benefit from public funding;
- The College ensures the curriculum model is efficient in terms of delivery and
- The College has strengthened its internal delivery team to increase the volume of direct delivery.

### 2. Apprenticeship Reforms

The change in the funding methodology for apprenticeships has impacted both on the volume of apprenticeships delivered and the speed in which the college is paid for delivery.

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The risk is mitigated in a number of ways:

- The College has strengthened its in house delivery team into one to provide a more comprehensive and coherent offer to employers
- The College is working with its partners to embed a new relationship post levy
- The College is working with employers to ensure they understand the opportunities for apprenticeship funding.

### 3. Tuition Fees

The college is more reliant on fee income than most colleges and this is a mixture of fees funded by student loans, Further Education fees and full cost delivery, which is funded by either individual learners or their employers.

The risk is mitigated by:

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

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

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

The College's current financial health grade is classified as "good". 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 cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

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

### KEY PERFORMANCE INDICATORS

The college set a number of financial indicators as part of its budget setting for 2018/19. These were:

OBJECTIVE	PROGRESS
maintaining a sound financial base (solvency and liquidity) based on the following: <ul style="list-style-type: none"> <li>• we will maintain cash days of 35 or more at all times</li> <li>• we will achieve the operating surplus as budgeted</li> <li>• we will have a current ratio of more than 1.3</li> </ul>	We have achieved the cash days throughout the year and have 57 at the year end  We have not met the operating target but EBITDA was 5.5%  Our adjusted current ratio is 1.34
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)	Management accounts were produced containing this information.
maintaining the confidence of funding bodies, suppliers and professional advisors	This has been achieved – letter from ESFA regarding financial health, confirming it to be 'good' using their measures, the Santander loan covenants have been met and there no issues regarding credit from suppliers
improve the college's treasury management by making use of term deposits where possible	Our rate from Barclays was maintained at 0.25% during 2018/19. With the uncertainty over operating performance and the continued low returns on deposits it was not felt prudent to tie up cash on deposit.

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review costs and income projections in light of the changing financial environment.	This has been done with the management accounts containing monthly forecast adjustments as new information came available
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### Student Numbers

In 2018/19, the College has delivered activity that has produced £15,867,000 in main FE allocation funding (2017/18: £16,636,000). The College had approximately 6,600 (2017/18: 7,300) FE funded and 4,800 (2017/18: 4,800) non FE funded learners.

### Student Achievements

Overall success rates in 2018/19 are 91% (2017/18 90%).

### OTHER INFORMATION

#### 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 16 to 17.

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

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education: Examples of where the College has added value include:

- Working closely with the Local Authority to develop digital strategy that will provide all adults with digital skills entitlement to improve local community digital competency.
- Retendered catering for the college to have a common supplier that has given a capital contribution to the college to improve facilities for students.
- Building new construction facilities on the TyneMet campus to allow expansion of delivery and a better student experience for learners.
- Achieving 'Good' grade during Ofsted inspection in Oct 2019 inspectors reported that Senior Leaders and Governors have ensured that the college campuses continue to support their local community well and that learners flourish and that disadvantaged young people have a positive view of education and their future for the first time.
- Further growth in 14-16 provision to support transition back into education for students who have been disengaged with school or have been electively home educated
- Championed positive mental health by embedding initiatives into College curriculum and employee wellbeing campaigns through staff and student training on emotional resilience, additional support from the College Counselling team, and increasing the number of Occupational Health Clinics. The College has supported the training of an employee on becoming a Mental Health First Aid Trainer to identify and train additional staff in recognising signs of mental health issues and intervening at an early stage.

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- 12 mental health student ambassadors has been recruited and a Wellbeing Hub has been established at South Tyneside College to support and encourage students to come forward and talk about their anxieties who can they be directed to appropriate support
- The marine school has a truly multicultural student body. The international students bring a significant cultural diversity to both the College and the local community where they live.
- The strong influx of learners from outside of the locale adds significantly to the local economy
- South Tyneside College continues to offer a range of services to dementia suffers in the local community through the now well established salons based at the Dementia centre based at South Tyneside District Hospital .

### **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 or health (including mental health).

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

The College produces an Annual Equality and Diversity 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 polices 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 Disability Equality Policy 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;

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- 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.

### Trade union facility time

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

Numbers of employees who were relevant union officials during the relevant period	FTE employee number
12	12

Percentage of time	Number of employees
0%	
1-50%	12
51-99%	
100%	

Total cost of facility time	£18,566
Total pay bill	£22,400,000
Percentage of total bill spent on facility time	0.08%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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## Tyne Coast College

### 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.

### 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 18 December 2019  
and signed on its behalf by:**



**A Watts  
Chair**



## Tyne Coast 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. This statement covers the period from 1<sup>st</sup> August 2018 to 31<sup>st</sup> July 2019 and up to the date of approval of the annual report and financial statements.

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

In the opinion of the governors, the College complies with the provisions of the Code and it has complied throughout the year ended 31 July 2019. 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 issued by the Association of colleges in March 2015, which it formally adopted on 8 July 2015.

#### *The Board of Governors*

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

Name	Date of Appointment(s)	Terms of Office	Date of Resignation/ End of Office	Status	Committees Served (up to 31.07.2019)	Full Board Attendance (up to 31.07.2019)
Mrs S Alexander	1 August 2017	Until 31.7.2020		College Governor	TyneMet Local Board Audit STC (PVC) Local Board	50%
Mr D Byrne	October 2011 October 2012 October 2016 extended term	Until 31.7.2021		College Governor	SSMS Local Board Business Development	100%
Mr G Clark	July 2014 July 2015 1 August 2017	Until 31.7.2022	28.1.19	College Governor	Finance & Resources Performance Review QA Sixth Form College	100%
Mr T Cornick	August 2015 August 2016 1 August 2017	Until 31.7.2023	31.07.19	College Governor	Audit Gov & Search SSMS Local Board	100%
Dr G Cruickshank	1 August 2017	Until 31.7.2021		College Governor	TyneMet Local Board Performance Review Business Development	100%
Mr B Garner	1 August 2017	Until 31.7.2023		College Governor	TyneMet Local Board Gov & Search Audit Performance Review	75%

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Dr M Grady	Nov 2015 Nov 2016 1 August 2017	Until 31.7.2023		College Governor	Finance & Resources STC (PVC) Local Board Dr Winterbottom Ch Trust Performance Review	100%
Prof G Holmes	1 August 2017	Until 31.7.2020		College Governor	Business Development	75%
Mr M Hottass	1 August 2017	Until 31.7.2025		College Governor	Finance & Resources	0%
Mr M Overton	Nov 2014 Nov 2015 1 August 2017	Until 31.7.2022		College Governor	Audit Gov & Search STC (PVC) Local Board	75%
Mr A Reynier	July 2016	Until 31.7.2020		Staff Governor	SSMS Local Board	75%
Mr C Seccombe MBE	1 August 2017	Until 31.7.2021		College Governor	Gov & Search Finance & Resources Dr Winterbottom Ch Trust	100%
Mr A Walton	March 2016 March 2017 1 August 2017	Until 31.7.2024		College Governor	Finance & Resources Business Development QA Sixth Form College	75%
Mr A Watts	October 2011 October 2012 October 2016 extended term	Until 31.7.2020		College Governor	Business Development Career College	100%
Mrs S Wear	October 2013 October 2014 October 2017	Until 31.7.2021		College Governor	SSMS Local Board	100%
Dr L Whiterod CBE	Oct 2009	Whilst employed as Chief Executive		Chief Executive	Finance & Resources Gov & Search Business Development	100%
Mrs J Cuthbertson	1 August 2018	31.7.2022	15.5.19	College Governor	Audit	50%
Mr M Laidler	17 October 2018	1 Year (office of Pres. of St. Union)		Student Governor	STC Local Board	50%

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

## **Tyne Coast College**

The Board conducts its business through a number of committees. Each committee has a terms of reference, composition and membership which have been approved by the Board. These Committees for 2018/19 were Audit (incorporating Governance and Search); Finance & Resources; Performance Appraisal and Review and Local Boards for South Tyneside College (Professional & Vocational), South Shields Marine School and Tyne Metropolitan College. Several working groups were also established. In addition, the Board has joint committees established these being Career College North East Board and Queen Alexandra Sixth Form College Committee. Full minutes of all meetings, except those deemed to be confidential by the Board are available from the Director of Governance, Tyne Coast College (South Tyneside College site), St. George's Avenue, South Shields, NE34 6ET.

The composition of each Local Board includes College Governors, representatives from the local community and employers, staff and students.

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

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Director of Governance, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Director of Governance 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 a Governance and Search Committee 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 usually appointed for a term of office not exceeding 4 years with a maximum length of office in total of 8 years. However, those appointed to the Board as a direct result of the merger were given fixed terms. The Chief Executive 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.

## **Tyne Coast College**

- 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 (or in his/her absence the Director of Governance) 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 Director of Governance leads the review on behalf of the Chair, with individually completed questionnaires returned to the Director of Governance, 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 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 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 2019 the College's Performance Appraisal and Review Committee comprised of at least 3 members. The Committee's responsibilities are to make recommendations to the Board on remuneration and benefits of the Chief Executive, the Director of Governance and senior post holders.

Details of senior post-holders remuneration for the year ended 31 July 2019 are set out in note 6 to the financial statements.

### **Audit Committee**

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

The 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.

## **Tyne Coast College**

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.

### **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 Funding Agreement 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 2019 and up to the date of approval of the annual report and accounts.

#### *Capacity to handle risk*

The Board has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2019 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;

## Tyne Coast College

- 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, 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 2019 meeting, the Board carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

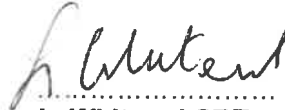
## Tyne Coast College

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

**Approved by order of the members of the Board on 18 December 2019 and signed on its behalf by:**



.....  
**A Watts**  
Chair



.....  
**L. Whiterod CBE**  
Chief Executive

## Tyne Coast 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.



**A. Watts**  
**Chair of Governors**  
**18 December 2019**



**L. Whiterod CBE**  
**Chief Executive & Accounting Officer**  
**18 December 2019**



## **Tyne Coast 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 grant funding agreements and contracts with ESFA, the corporation – through its accounting officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its surplus / deficit of income over expenditure for that period.

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 Members Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the 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 relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

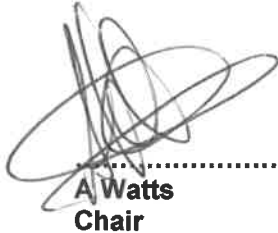
The maintenance and integrity of the College website is the responsibility of the Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since 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

## **Tyne Coast College**

safeguard public and other funds and to ensure they are used properly. In addition, members of the 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 18 December 2019 and signed on its behalf by:**



A Watts  
Chair

## Tyne Coast College

### INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF TYNE COAST COLLEGE

#### Opinion

We have audited the financial statements of Tyne Coast College ("the College") for the year ended 31 July 2019 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet at 31 July 2019 and Statement of Cash Flows and 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 2019 and of the College's income and expenditure, gains and losses, changes in reserves, and 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.

#### Impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as valuation of pension liabilities and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the college's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the college's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

#### Going concern

The Corporation has prepared the financial statements on the going concern basis as they do not intend to liquidate the College or to cease its operations, and as they have concluded that the College's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over the College's ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

## Tyne Coast College

significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Corporation's conclusions, we considered the inherent risks to the College's business model, including the impact of Brexit, and analysed how those risks might affect the College's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the College will continue in operation.

### **Other information**

The Corporation is responsible for the other information, which comprises Statement of Corporate Governance and Internal Control and Statement of Responsibilities of the Members of the Corporation. 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 2018 to 2019 (February 2019) issued by the Education and Skills 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.

### **Corporation's responsibilities**

As explained more fully in their statement set out on page 24, 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

## Tyne Coast College

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.



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

19 December 2019

## **Tyne Coast College**

### **REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE BOARD OF TYNE COAST COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 2 October 2018 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Tyne Coast College during the period 1 August 2018 to 31 July 2019 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 by the ESFA. 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 ESFA has other assurance arrangements in place.

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

#### **Respective responsibilities of Tyne Coast College and the reporting accountant**

The corporation of Tyne Coast 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 established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the 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 2018 to 31 July 2019 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 by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

## Tyne Coast College

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 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



**David Mitchell**  
**For and on behalf of KPMG LLP, Reporting Accountant**  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX  
19 December 2019

## Tyne Coast College

### Statement of Comprehensive Income

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
<b>INCOME</b>			
Funding body grants	2	19,291	20,335
Tuition fees and education contracts	3	15,253	15,667
Other income	4	3,109	4,767
Investment income	5	11	21
Gain arising from combination with Tyne Metropolitan College	9	-	23,482
		<hr/>	<hr/>
<b>Total income</b>		<b>37,664</b>	<b>64,272</b>
<b>EXPENDITURE</b>			
Staff costs	6	24,781	23,180
Restructuring costs	6	84	360
Other operating expenses	7	12,546	14,390
Depreciation	10	3,100	3,032
Interest and other finance costs	8	491	488
		<hr/>	<hr/>
<b>Total expenditure</b>		<b>41,002</b>	<b>41,450</b>
		<hr/>	<hr/>
<b>(Deficit) / Surplus before other gains and losses</b>		<b>(3,338)</b>	<b>22,822</b>
<b>Analysed as:</b>			
<b>Operating (deficit) / surplus after exceptional items</b>		<b>(3,338)</b>	<b>22,822</b>
Gain arising from combination with Tyne Metropolitan College	9	-	(23,482)
LGPS actuarial pension adjustment	6	2,230	410
LGPS pension finance costs	8	400	450
Capital Grants released in year	2, 4	(514)	(508)
Depreciation charge for the year	10	3,100	3,032
Interest received in year	5	(11)	(21)
Interest paid in year	8	91	38
		<hr/>	<hr/>
<b>Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation - Education Specific</b>		<b>1,958</b>	<b>2,741</b>
		<hr/>	<hr/>
Loss on disposal of assets	10	(4)	(75)
		<hr/>	<hr/>
<b>(Deficit) / Surplus for the year</b>		<b>(3,342)</b>	<b>22,747</b>
Actuarial (loss) / gain in respect of pension scheme	21	(4,880)	4,230
		<hr/>	<hr/>
<b>Total Comprehensive (Deficit) / Income for the year</b>		<b>(8,222)</b>	<b>26,977</b>
		<hr/> <hr/>	<hr/> <hr/>



## Tyne Coast College

### Statement of Changes in Reserves


	Income and expenditure account £'000	Revaluation reserve £'000	Total £'000
<b>College</b>			
<b>Balance at 1st August 2017</b>	(1,692)	6,736	5,044
Deficit from the income and expenditure account	22,747	-	22,747
Other comprehensive income	4,230	-	4,230
Transfers between revaluation and income and expenditure reserves	80	(80)	-
<b>Total comprehensive income for the year</b>	<u>27,057</u>	<u>(80)</u>	<u>26,977</u>
<b>Balance at 31st July 2018</b>	25,365	6,656	32,021
Deficit from the income and expenditure account	(3,342)	-	(3,342)
Other comprehensive income	(4,880)	-	(4,880)
Transfers between revaluation and income and expenditure reserves	84	(84)	-
<b>Total comprehensive income for the year</b>	<u>(8,138)</u>	<u>(84)</u>	<u>(8,222)</u>
<b>Balance at 31st July 2019</b>	<u>17,227</u>	<u>6,572</u>	<u>23,799</u>


## Tyne Coast College

### Balance sheet as at 31 July 2019

	Notes	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Tangible fixed assets	10	55,674	55,741
Heritage assets	10	324	324
		<b>55,998</b>	<b>56,065</b>
<b>Current assets</b>			
Trade and other debtors	11	3,243	2,894
Cash and cash equivalents	16	5,885	6,650
		<b>9,128</b>	<b>9,544</b>
<b>Less: Creditors – amounts falling due within one year</b>	12	(8,056)	(9,177)
		<b>1,072</b>	<b>367</b>
<b>Net current assets</b>			
		<b>57,070</b>	<b>56,432</b>
<b>Total assets less current liabilities</b>			
Less: Creditors – amounts falling due after more than one year	13	(8,739)	(7,397)
<b>Provisions</b>			
Defined benefit obligations	15	(22,700)	(15,190)
Other provisions	15	(1,832)	(1,824)
		<b>23,799</b>	<b>32,021</b>
<b>Total net assets</b>			
<b>Unrestricted reserves</b>			
Income and expenditure account		17,227	25,365
Revaluation reserve		6,572	6,656
		<b>23,799</b>	<b>32,021</b>
<b>Total unrestricted reserves</b>			

The financial statements on pages 31 to 56 were approved and authorised for issue by the Corporation on 18 December 2019 and were signed on its behalf on that date by:

  
**A Watts**  
**Chair**

  
**Dr L Whiterod CBE**  
**Accounting Officer**

## Tyne Coast College

### Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
<b>Cash inflows from operating activities</b>			
(Deficit) / surplus for the year		(3,342)	22,747
<b>Adjustment for non cash items:</b>			
Depreciation		3,100	3,032
(Increase) / Decrease in debtors		(349)	1,224
(Decrease) in creditors due within one year		(1,108)	(3,585)
Decrease in creditors due after one year		(449)	(373)
Increase / (Decrease) in provisions		8	(89)
Pensions costs less contributions payable		2,630	850
Gain relating to combination with Tyne Metropolitan College		-	(23,482)
<b>Adjustment for investing or financing activities:</b>			
Investment income		(11)	(21)
Interest payable		91	38
Loss on disposal of fixed assets		4	75
		<u>574</u>	<u>416</u>
<b>Net cash flow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Cash received on acquisition		-	157
Investment income		11	21
Payments made to acquire fixed assets		(3,037)	(2,108)
		<u>(3,026)</u>	<u>(1,930)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(91)	(38)
Interest element of finance lease rental payments			
New unsecured loans		1,900	1,225
Repayments of amounts borrowed		(122)	(1,400)
		<u>1,687</u>	<u>(213)</u>
<b>Decrease in cash and cash equivalents in the year</b>		<u>(765)</u>	<u>(1,727)</u>
Cash and cash equivalents at beginning of the year	16	6,650	8,377
Cash and cash equivalents at end of the year	16	5,885	6,650

## Tyne Coast College

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2019

#### 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 Members Report. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College has a £1.1M loans and £1.9M revolving credit agreement outstanding with Santander on terms negotiated in 2018 for a new building on the Tyne Metropolitan campus with all funds secured on the Marine Offshore and Safety Training Centre. The terms of these agreements are 10 years. The revolving credit agreement will convert to a term loan in 2019/20. The college's forecasts and financial projections indicate that it will be able to operate within the covenants for the foreseeable future.

The college has prepared cashflow forecasts up to July 2021 which will show it has sufficient resources to meet its liabilities as they fall due.

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 achievement for the Adult

## Tyne Coast College

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

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, 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.

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

Grants (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.

#### **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

## Tyne Coast College

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

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 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.

#### **Enhanced Pensions**

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

#### **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.

## Tyne Coast College

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

#### *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 50 years
- New Buildings 50 years
- Purchased buildings Assessment of economic life up to 50 years

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

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 15 and 50 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 |

## Tyne Coast College

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

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.

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.

#### *Borrowing costs*

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

#### **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



## Tyne Coast College

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

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.

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 College 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.

The college has provisions for dilapidations calculated by the landlord of properties where the lease ended in October 2018.

#### 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

## Tyne Coast College

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

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:

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

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

- *Tangible fixed assets*

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. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 to value the pensions liability at 31 July 2019. 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

### Notes to the Accounts (continued)

#### 2 Funding council grants

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency - Adult	3,441	3,413
Education and Skills Funding Agency - 16-18	12,426	13,223
Higher Education Funding Council / Office for Students	749	883
<b>Specific Grants</b>		
Education and Skills Funding Agency - Adult	818	1,328
Education and Skills Funding Agency - 16-18	1,557	1,172
Releases of government capital grants	300	316
<b>Total</b>	<b>19,291</b>	<b>20,335</b>

#### 3 Tuition fees and education contracts

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Adult education fees	4,926	4,059
Apprenticeship fees and contracts	243	1,303
Fees for FE loan supported courses	2,058	1,411
Fees for HE loan supported courses	3,852	3,562
International students fees	2,976	4,113
Total tuition fees	14,055	14,448
Education contracts	1,198	1,219
<b>Total</b>	<b>15,253</b>	<b>15,667</b>

## Tyne Coast College

### Notes to the Accounts (continued)

#### 4 Other income

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Catering and residences	984	1,237
Other income generating activities	429	611
Non funding body government capital grants	214	192
Miscellaneous income	1,482	2,727
	<b>3,109</b>	<b>4,767</b>
<b>Total</b>	<b>3,109</b>	<b>4,767</b>

#### 5 Investment income

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Other investment income	11	21
	<b>11</b>	<b>21</b>
<b>Total</b>	<b>11</b>	<b>21</b>

## Tyne Coast 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:

	2019 No.	2018 No.
Teaching staff	203	216
Non teaching staff	300	320
	<b>503</b>	<b>536</b>
<b>Staff costs for the above persons</b>		
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	15,039	15,649
Social security costs	1,362	1,410
Other pension costs (note 21)	5,264	3,445
<b>Payroll sub total</b>	<b>21,665</b>	<b>20,504</b>
Contracted out staffing services	3,116	2,676
	<b>24,781</b>	<b>23,180</b>
Restructuring costs - contractual	84	360
	<b>24,865</b>	<b>23,540</b>

Included in the 2019 figures is a £2,230,000 LGPS pension charge relating to the July 2019 scheme valuation. This charge has arisen due to the insolvency regime and the McCloud judgement which have both adversely affected the value of the pension scheme liability.

#### 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, Chief Finance Officer, 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.

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	6	7

## Tyne Coast 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	
	2019	2018	2019	2018
	No.	No.	No.	No.
£55,001 to £60,000	1	2	-	-
£75,001 to £80,000	-	1	-	-
£80,001 to £85,000	1	2	-	-
£85,001 to £90,000	1	-	-	-
£95,001 to £100,000	1	1	-	-
£130,001 to £135,000	1	-	-	-
£175,001 to £180,000	-	1	-	-
£185,001 to £190,000	1	-	-	-
	<u>6</u>	<u>7</u>	<u>-</u>	<u>-</u>

Key management personnel emoluments are made up as follows:

	2019 £'000	2018 £'000
Salaries	<u>644</u>	<u>599</u>
Pension contributions	<u>78</u>	<u>87</u>
<b>Total emoluments</b>	<u><b>722</b></u>	<u><b>686</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:

	2019 £'000	2018 £'000
Salaries	<u>188</u>	<u>177</u>
Pension contributions	<u>31</u>	<u>29</u>

The Board has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future. The remuneration package of Key management staff, including the Chief Executive, is subject to annual review by the Finance and Staffing Committee of the Board who use benchmarking information to provide objective guidance. The Chief Executive reports to the Performance Appraisal and Review Sub-Committee, which undertakes an annual review of her performance against her key strategic objectives.

Relationship of Chief Executive pay and remuneration expressed as a multiple:

	2019	2018
Chief Executive's basic salary as a multiple of the median of all staff	6.83	6.61
Chief Executive's total remuneration as a multiple of the median of all staff	6.98	6.93

**Compensation for loss of office paid to former key management personnel:**

	2019 £	2018 £
Compensation paid to the former post-holder - contractual	40,155	-
Estimated value of other benefits, including provisions for pension benefits	-	-
	<u>40,155</u>	<u>-</u>

The severance payment was approved by the College's Accounting Officer.

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

### Notes to the Accounts (continued)

#### 7 Other operating expenses

	2019 £'000	2018 £'000
Teaching costs	6,058	7,805
Non teaching costs	3,688	3,814
Premises costs	2,800	2,771
<b>Total</b>	<b>12,546</b>	<b>14,390</b>

#### Other operating expenses include:

	2019 £'000	2018 £'000
Auditors' remuneration:		
Financial statements audit	44	42
Internal audit	31	32
Other services provided by the financial statements auditors	-	4
Other services provided by the internal auditors	4	13
Hire of assets under operating leases	743	737

#### 8 Interest payable

	2019 £'000	2018 £'000
On bank loan	91	38
Pension finance costs (note 21)	400	450
<b>Total</b>	<b>491</b>	<b>488</b>

#### 9 Gains relating to combination with Tyne Metropolitan College

	2018 £'000
Fixed Assets	28,861
Holiday Accrual	(334)
Pension provision	(1,298)
Creditors	(2,878)
Trade and Other Receivables	371
Cash	157
Deferred Capital Grants carried forward	(782)
Dilapidations provision	(615)
<b>Total</b>	<b>23,482</b>

On 1 August 2017, the College acquired the assets and liabilities of Tyne Metropolitan College, on its dissolution. These assets and liabilities are shown above and have been recognised at fair value.

The College has considered the customer related intangible assets position and has concluded that no intangible assets have been realised as a result of this combination with Tyne Metropolitan College.

## Tyne Coast College

### Notes to the Accounts (continued)

#### 10 Tangible fixed assets

	Land and buildings Freehold £'000	Equipment £'000	Assets in the course of construction	Total £'000
<b>Cost or deemed cost</b>				
At 1 August 2018	73,214	8,625	983	82,822
Additions	2,541	1,479	(983)	3,037
Disposals	-	(12)	-	(12)
<b>At 31 July 2019</b>	<b>75,755</b>	<b>10,092</b>	<b>-</b>	<b>85,847</b>
<b>Depreciation</b>				
At 1 August 2018	23,732	3,349	-	27,081
Charge for the year	1,781	1,319	-	3,100
Elimination in respect of disposals	-	(8)	-	(8)
<b>At 31 July 2019</b>	<b>25,513</b>	<b>4,660</b>	<b>-</b>	<b>30,173</b>
<b>Net book value at 31 July 2019</b>	<b>50,242</b>	<b>5,432</b>	<b>-</b>	<b>55,674</b>
Net book value at 31 July 2018	49,482	5,276	983	55,741

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 South Tyneside College 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.

To ensure that the fair value of assets is recognised in these accounts, Tyne Metropolitan College land and buildings were revalued as at 1 August 2017, with this valuation also being undertaken by BNP Paribas on a continuing use basis. Tyne Metropolitan College equipment assets are recognised in these accounts based on their net book value, which is considered by management to be equal to their fair value.

#### 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 2018	324
31 July 2019	<u>324</u>

The college's external valuer, Anderson & Garland, carried out a full revaluation of the college's heritage assets as at 31 July 2016. The College does not believe that there has been any material change in the value of these assets since the last revaluation.



## Tyne Coast College

### Notes to the Accounts (continued)

#### 11 Debtors

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	1,342	1,581
Prepayments and accrued income	1,901	1,313
<b>Total</b>	<b>3,243</b>	<b>2,894</b>

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

	2019	2018
	£'000	£'000
Bank loans	231	125
Trade creditors	935	803
Payments received in advance	2,531	3,254
Holiday pay accrual	713	791
Other taxation and social security	343	366
Accruals and deferred income	2,485	2,883
Deferred income - government capital grants	488	607
Amounts owed to the Education and Skills Funding Agency	330	348
<b>Total</b>	<b>8,056</b>	<b>9,177</b>

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

	2019	2018
	£'000	£'000
Bank loans	2,772	1,100
Deferred income - government capital grants	5,967	6,297
<b>Total</b>	<b>8,739</b>	<b>7,397</b>

#### 14 Maturity of debt

##### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2019	2018
	£'000	£'000
In one year or less	234	125
Between one and two years	346	125
Between two and five years	1,038	375
In five years or more	1,385	600
<b>Total</b>	<b>3,003</b>	<b>1,225</b>

The College has 9 years remaining on a 10 year loan with Santander, of which the outstanding balance is valued at £1,103,000. In addition, the college has a £1,900,000 revolving credit agreement with Santander which was drawn down between September 2018 and December 2018. This revolving credit facility will convert to a term loan in 2019-20.

## Tyne Coast College

### 15 Provisions

	Defined benefit obligations £'000	Enhanced Pensions £'000	Dilapidations £'000	Total £'000
At 1 August 2018	15,190	1,209	615	17,014
Expenditure in the period Arising on combination				-
Expenditure in the year	(1,700)	(102)	-	(1,802)
Charge in the year	9,210	28	-	9,238
Enhanced Pension Provision actuarial loss in year	-	82	-	82
<b>At 31 July 2019</b>	<b><u>22,700</u></b>	<b><u>1,217</u></b>	<b><u>615</u></b>	<b><u>24,532</u></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.

### 16 Cash and cash

	At 1 August 2018 £'000	Cash flows £'000	At 31 July 2019 £'000
Cash and cash equivalents	6,650	(765)	5,885
<b>Total</b>	<b><u>6,650</u></b>	<b><u>(765)</u></b>	<b><u>5,885</u></b>

### 17 Capital

	2019 £'000	2018 £'000
Commitments contracted for at 31 July	-	2,068

### 18 Financial instruments

	Group 2019 £'000	Group 2018 £'000
<i>Financial assets measured at amortised cost</i>		
Trade debtors	1,342	1,581
	<b><u>1,342</u></b>	<b><u>1,581</u></b>
<i>Financial liabilities measured at amortised cost</i>		
Bank loan	3,003	1,250
Trade creditors	935	803
Amounts owed to the Education and Skills Funding Agency	330	348
	<b><u>4,268</u></b>	<b><u>2,401</u></b>

## Tyne Coast College

### Notes to the Accounts (continued)

#### 19 Lease Obligations

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

	<b>Group and College</b>	
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	8	66
Later than one year and not later than five years	11	11
later than five years	69	72
	<u>88</u>	<u>149</u>
<b>Other</b>		
Not later than one year	981	970
Later than one year and not later than five years	2,742	2,703
later than five years	-	-
	<u>3,723</u>	<u>3,673</u>

#### 20 Contingent liabilities

The College provided a guarantee to its pension actuaries in respect of its cleaning contractor's participation in the fund. The cleaning contractor exited the fund with effect from 31 March 2017 and an exit liability of £80,500 has been calculated by the actuaries. The cleaning contractor has so far refused to meet this exit liability with the consequence that the college, as guarantor, may be called upon to meet this exit liability.

# Tyne Coast 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	2019 £'000	2018 £'000
Teachers Pension Scheme: contributions paid	1,277	1,291
Local Government Pension Scheme:		
Contributions paid	1,700	1,730
FRS 102 (28) charge	<u>2,230</u>	<u>410</u>
Charge to the Statement of Comprehensive Income	3,930	2,140
Enhanced pension charge	<u>57</u>	<u>14</u>
<b>Total Pension Cost for Year within staff costs</b>	<b><u>5,264</u></b>	<b><u>3,445</u></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 2016.

Contributions amounting to £311,000 (2018: £307,000) 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 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 academic year.

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

The pension costs paid to TPS in the year amounted to £1,277,000 (2018: £1,291,000)

## Tyne Coast 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 2018 was £2,030,336, of which employer's contributions totalled £1,681,219 and employees' contributions totalled £349,117. 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.

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

##### Principal Actuarial Assumptions

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.70%	3.60%
Future pensions increases	2.20%	2.10%
Discount rate for scheme liabilities	2.10%	2.80%
Inflation assumption (CPI)	2.20%	2.10%
Inflation assumption (RPI)	3.20%	3.20%

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 2019	At 31 July 2018
	years	years
<i>Retiring today</i>		
Males	21.90	22.90
Females	25.10	26.40
<i>Retiring in 20 years</i>		
Males	23.60	25.10
Females	26.90	28.70

## Tyne Coast 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 2019	Fair Value at 31 July 2019	Asset allocation at 31 July 2018	Fair Value at 31 July 2018
		£'000		£'000
Equities	64.90%	38,680	67.30%	36,806
Government Bonds	4.30%	2,563	4.00%	2,188
Corporate Bonds	11.60%	6,914	11.40%	6,235
Property	8.90%	5,304	8.60%	4,703
Cash	1.80%	1,073	2.10%	1,148
Other	8.50%	5,066	6.60%	3,610
<b>Total market value of assets</b>		<b><u>59,600</u></b>		<b><u>54,690</u></b>
<b>Actual return on plan assets</b>		<b><u>4,320</u></b>		<b><u>4,320</u></b>

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

	2019 £'000	2018 £'000
Fair value of plan assets	59,600	54,690
Present value of plan liabilities	<u>(82,300)</u>	<u>(69,880)</u>
<b>Net pensions liability (Note 15)</b>	<b><u>(22,700)</u></b>	<b><u>(15,190)</u></b>

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

	2019 £'000	2018 £'000
<b>Amounts included in staff costs</b>		
Current service cost	(1,900)	(2,130)
Past service cost	(2,030)	(10)
Transfer of pension deficit from Tyne Metropolitan College	-	-
<b>Total</b>	<b><u>(3,930)</u></b>	<b><u>(2,140)</u></b>

**Amounts included in interest expense**

	2019 £'000	2018 £'000
Net interest on defined benefit liability (note 8)	400	450
<b>Total</b>	<b><u>400</u></b>	<b><u>450</u></b>

**Amounts recognised in Other Comprehensive Income**

	2019 £'000	2018 £'000
Return on pension plan assets	3,120	3,010
Experience gains arising on defined benefit obligations	(8,000)	1,220
<b>Amount recognised in Other Comprehensive Income</b>	<b><u>(4,880)</u></b>	<b><u>4,230</u></b>

## Tyne Coast 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

	2019 £'000	2018 £'000
Deficit in scheme at 1 August	(15,190)	(18,560)
Movement in year:		
Current service cost	(1,900)	(2,130)
Employer contributions	1,700	1,730
Past service cost	(2,030)	(10)
Net interest on the defined pension liability	(400)	(450)
Remeasurement gains on plan assets	3,120	3,010
Actuarial (loss) / gain	(8,000)	1,220
<b>Net defined benefit liability at 31 July</b>	<b><u>(22,700)</u></b>	<b><u>(15,190)</u></b>

##### Asset and Liability Reconciliation

	2019 £'000	2018 £'000
<b>Movements in present value of defined benefit obligations</b>		
Defined benefit obligations at start of period	(69,880)	(68,610)
Current Service cost	(1,900)	(2,130)
Interest expense on defined benefit obligation	(1,940)	(1,760)
Contributions by participants	(350)	(390)
Actuarial (loss) / gain on liabilities	(8,000)	1,220
Net benefits paid out	1,800	1,800
Past Service cost	(2,030)	(10)
<b>Defined benefit obligations at end of period</b>	<b><u>(82,300)</u></b>	<b><u>(69,880)</u></b>
<b>Movements in fair value of plan assets</b>		
Fair value of plan assets at start of period	54,690	50,050
Income on assets	1,540	1,310
Remeasurement gain on plan assets	3,120	3,010
Contributions by the employer	1,700	1,730
Contributions by participants	350	390
Net benefits paid out	(1,800)	(1,800)
<b>Assets at end of period</b>	<b><u>59,600</u></b>	<b><u>54,690</u></b>

# Tyne Coast College

## Notes to the Accounts (continued)

### 22 Related party transactions

Due to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

Total expenses paid to or on behalf of Governors during the year were £444; 4 governors (2018: £2,006; 5 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meeting, training and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2018: None).

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

Sales transactions in the year amounted to £1,500 (2018: £0). An amount of £1,500 was outstanding at the year end (2018: £0). Purchase transactions in the year amounted to £16,478 (2018: £16,000). There were no balances outstanding at the year end (2018: £0).

#### **Monkwearmouth Academy - an Academy Trust where A Maynard (Deputy Chief Executive of the college) is a Director.**

Purchase transactions in the year amounted to £195,315 (2018: £191,538). There were no balances outstanding at the year end (2018: £0).

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

Sales transactions in the year amounted to £24,100 (2018: £13,000). An amount of £3,180 was outstanding at the year end (2018: £1,545)

#### **Tyne Coast Academy Trust - an academy trust sponsored by Tyne Coast College**

Purchase transactions in the year amounted to £218,783 (2018: £83,000). There were no balances outstanding at the year end (2018: £0).

### 23 Amounts disbursed as agent

<b>Learner support funds</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Funding body grants – bursary support	877	825
Funding body grants – residential bursaries	16	15
	<hr/>	<hr/>
	893	840
Disbursed to students	(631)	(468)
Administration costs	(29)	(21)
	<hr/>	<hr/>
Balance unspent as at 31 July, included in creditors	<u>233</u>	<u>351</u>

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