



Financial Statements
for the year ended 31 July 2020

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Reference and Administrative Details

Board of Governors

A full list of the Board of Governors is shown in the table on pages 18-20.

Clerk to the Corporation

Maxine Bagshaw

Principal and Registered Office

Cauldon Campus, Stoke Road, Stoke-on-Trent ST4 2DG

Professional Advisors

Solicitors

Beswicks Legal, Sigma House, Lakeside, Festival Park, Stoke on Trent, ST1 5RY

Eversheds Sutherland, 115 Colmore Row, Birmingham, B3 3AL

Mills & Reeve, 78-84 Colmore Row, Birmingham, B3 2AB

Bankers

Lloyds Bank, 1st Floor, 125 Colmore Row, Birmingham, B3 3SF

Auditors

External - RSM UK Audit LLP, St Phillips Point, Temple Row, Birmingham, B2 5AF

Internal – ICCA, 46 The Priory, Queensway, Birmingham B4 7LR

Strategic Report

OBJECTIVES AND STRATEGY

The governing body present their annual report together with the financial statements and auditors' reports for Stoke on Trent College for the year ended 31 July 2020.

Legal Status

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting Stoke on Trent College. The College is an exempt charity for the purposes of the Charities Act 2011.

Vision, Mission and Objectives

The College's vision during the reporting period, as approved by its members, was:
"Our learners will have the confidence and skills to make choices for a lifetime of fulfilment"

The College's Mission was as follows:
To provide an inclusive professions and technical education to energise and grow our city region.

In doing this we:

Promise learners that we will help them to access and achieve their aspiration

Promise employers that we will work with them to develop a highly trained and reliable workforce

Promise stakeholders that we will play an active role in the development of a vibrant local economy

COVID-19

The College worked hard in 2019/20 to provide a safe and secure working environment for students, staff and visitors. From the end of March to July 2020, the College supported vulnerable students on site with a network of key staff including teaching, safeguarding, health and safety, estates and catering staff. A senior duty manager was also on site on a rota basis at all times. The majority of staff worked remotely in line with Government guidelines. The College furloughed business support staff in areas not directly funded by the ESFA e.g. catering, the nursery, reprographics. The College did not furlough any member of staff directly involved in teaching students. The teaching and student support staff team worked hard to support learning and well-being throughout the period to 31st July. Governor oversight of the arrangements was rigorous. The Principal and CFO had regular 'keep in touch' meetings with the Chairs of the five committees.

Whilst the outbreak of the virus had a negative impact on income streams including apprenticeships and commercial income, the College carefully managed pay and non-pay costs. The ESFA guaranteed certain income streams, such as the Adult Education Budget, within a national tolerance limit. Consequently, the College's financial position was not materially adversely affected by the COVID-19 virus in 2019/20. Further detail is reflected in the Going Concern Accounting Policy note to the accounts. Governors and the Executive Board will continue to consider the potential impact of the virus on student recruitment, engagement, experience and achievement in 2020/21 alongside the financial results.

Strategic Objectives 2018-2021

The College reviews its strategic objectives and associated targets on a regular basis. In respect of the years 2018-2021 these are:

- Build Brand Stoke on Trent College
- Nurture Strategic Alliances

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- Innovate, Create and Adapt
- Deliver Excellence and Continuous Improvement

OFSTED

The College was inspected in October 2019 and achieved an overall outcome of 'Requires Improvement'. The previous Inspection had been grade 3 (Requires Improvement).

Financial Objectives

During the reporting year the College's financial objectives in order to build strong and sustainable financial management were:

- Create the financial capacity to invest in specialist capabilities;
- Set a framework for risk that enables the organisation to innovate and then manage that risk tightly;
- Ensure that financial planning is curriculum led;
- Ensure that responsibility and accountability for financial management and control is distributed to managers throughout the organisation;
- Generate the income necessary for financial sustainability;
- Implement an efficient business delivery model.

The College is on target to achieve those financial objectives. In addition, the College had a number of key performance indicators as follows:

	2019/20	2018/19
Cash days in hand (expenditure basis)	54.35	54.82
Staff costs as a percentage of income (excl. franchised income)	62.48%	64.73%
Borrowing as a percentage of cash income	17.13%	16.01%
EBITDA	7.47%	(1.32)%
Adjusted Current ratio	2.09	1.72

Resources

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

The College employs 459 people (expressed as headcount), of whom 157 are teaching staff (2018/19 534 staff).

In 2019/20 the College has delivered activity that has produced £15.2m (2018/19 £15.9m) in funding body main allocation funding.

Tangible resources include the main College sites at Burslem and Caudon. In addition to the College sites, there is equipment with a net book value of £3.8m employed in the delivery of teaching and learning. The College has £ (7.2) m of net assets (after taking account of the £22.6m defined pension benefit liability and £30.4m deferred capital grants)

Stakeholders

The College has many stakeholders including:

- Current, future and past students;
- Sector funding body;
- Provider Market Oversight;
- FE Commissioner;
- Staff, and their trade unions. The trade unions of which Stoke-on-Trent College are members are the University and College Union and Unison;

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- Local and regional employers (with specific links);
- Stoke City Council and other Local Authorities;
- Government Offices and Agencies including the Local Enterprise Partnership;
- The local community;
- Other FE institutions;
- Lloyds Bank;

The College recognises the importance of these relationships and engages in regular communication with them through the College website and by formal and informal meetings.

Public Benefit

Stoke on Trent College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 16-18. 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.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to students, including those students with high needs. The College provides courses without charge to young people, to those who are unemployed and adults taking English and maths course. The College adjusts its courses to meet the needs of local employers and also provides apprenticeship training. The College is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

Development and Performance

Financial Results

The College achieved a good financial result on 2019/20 despite the impact of COVID-19. Income in the previous year of £40.1m included £17.5m due to the Restructuring Fund Deal. The adjusted income for 2018/19 of £22.6m fell by £3.2m to £19.4m in 2019/20. This was due to three main reasons: the impact of the cash sweep (£1m), a reduction in ESFA funding (£750k) and the end of the ESF projects (£1.1m). However, EBITDA in 2019/20 improved by £1m due to a reduction in staff costs of £2m and a reduction in other operating costs of £2.2m.

The inclusion of FRS102 (pension), and the agreed Restructuring Fund (RF) deal in 2018/19 has a significant impact on the presentation of the accounts. The table below shows the financial outturn position excluding FRS102 charges and other exceptional items.

	FY 2020	FY 2019
	£'000	£'000
(Deficit) / Surplus before other gains / losses	(1,270)	13,509
Exclude Restructuring Fund Grant income	-	(17,462)
Exclude Restructuring Fund Grant Clawback	1,010	
Exclude Loan Break costs	-	1,759
Exclude pension accounting adjustments	219	867
Exclude exceptional restructuring costs	229	591
Exclude Annual leave accrual	(23)	23
Underlying Operating Surplus / (Deficit)	165	(713)

COVID-19 had a positive impact on the College's cash reserves. However, the terms of the RF Deal have resulted in a liability for the repayment of excess cash at 31st July 2020 and forecast

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excess cash at 31st July 2021. These cash sweep liabilities of £494k for the 2019/20 year and a forecast of £516k for the 2020/21 financial year have been provided for in the financial statements. Testing of the College's debt service cover covenant post year end demonstrates that £21k of the total liability of £1,010k will be payable in April 2021 and £297k will be payable in April 2022. The cash repayment differs from the total liability due to the RF Deal in which the PMO agreed only to recover cash to the extent that the bank covenants would not be breached. The remaining liability will stay on the balance sheet for a period of up to six years after which time it may be waived at the discretion of the ESFA.

The College's 2019/20 self assessed Financial Health Grade for 2019/20 is 'Outstanding'. Financial performance is measured using sector specific EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation), excluding restructuring fund grant, FRS102 pension costs and capital grant releases as a percentage of cash income. For the 2019/20 financial year, EBITDA was at a level of 7.47% (2018/19 (1.32) %).

In addition to funding for students aged 16-18, the College has accounted for 100% of its total Adult Education Budget. Due to the impact of COVID-19, the ESFA have not required a reconciliation of funding if the college achieve 68%. The College achieved 87% and so 100% of allocation has been included in income.

The actuarial review at 31 July 2020 of the Staffordshire County Council Pension Fund has seen a decrease in the net discount rate over this period to 1.4% and decreases in the assumed mortality rates. In addition to this the fund includes a past service cost in respect of the potential effect of the "McCloud" judgement on the pension scheme. As a result, the Fund deficit attributable to the College has increased from £16.0m at 31 July 2019 to £22.6m at 31 July 2020.

After the recognition of the total comprehensive income in the year, capital movements, and the impact of the increased LGPS pension liability, the total balance sheet net assets/liabilities reduced from £65k net assets in 2018/19 to net liabilities of (£7,226)k in 2019/20.

During the COVID-19 pandemic the College's 16-18 and AEB income was guaranteed by the ESFA. Running costs were reduced due to lockdown despite additional expenditure which was incurred to become COVID-19 secure. These costs included set up costs and ongoing safety measures, including enhanced cleaning, social distancing measures, additional security costs and increased flexibility in the delivery of teaching and learning.

Cash Flows and liquidity

The College has been cash positive throughout the financial year and at 31 July 2020 had consolidated cash balances at bank and in-hand of £2,662k (2019: £3,538k). Cash decreased in year by £876k due in part to payments made to acquire fixed assets.

At 31 July 2020 total bank loans and Restructuring Fund Loan outstanding amounted to £3.4m (2019: £3.5m). The College also maintained a small overdraft facility which was not required in-year. Further details are provided in Notes 14, 15 and 16 to the Financial Statements.

With the majority of the College's income secured during the COVID-19 pandemic, and following government guidelines the College continued to make payments to all suppliers in line with payment terms.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance is consistent with those risks.

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The College has a separate treasury management policy in place. Wherever possible, positive cash balances would be held in interest bearing accounts, the availability of which would be matched to the College's planned expenditure.

All borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Reserves

The College does not have a formal Reserves Policy, but recognises the importance of reserves in the financial stability of the organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. It is the Corporation's intention to increase the level of reserves by the generation of annual cash surpluses.

Non-Current Assets

Tangible Fixed Asset additions during the year amounted to £1,396k. This was split between land & buildings £264k, equipment purchases £1,132k.

Group companies

The College has three subsidiary companies, EBS Limited, Real Apprentices Limited and Stoke on Trent College Limited. The principal activity of EBS Limited is the supply of staff to its parent company, Stoke on Trent College. Any surplus generated by EBS Limited is transferred to the College under deed of covenant. In 2019/20, the surplus generated by EBS Limited was £139k. Real Apprentices Limited and Stoke on Trent College Limited are both dormant.

Student achievements

Overall achievement increased to 88.7% when compared to 2018/19 (88.7%) demonstrating a strong learner outcome improvement trend over the last 3 years with a 4.1% improvement since 2017/18. The College's overall achievement is now ahead of the national rate of 85.9%. However, whilst achievement rates for young learners increased by 2.4% this provision remains below national rates. This is primarily due to poor achievement rates in functional skills, which is impacting on the overall. Achievement rates for adults is 92.3% are very good and above the national rate by 0.8% points. Adult high grade achievement rates in GCSE English are 70.4% and GCSE maths is 62.7%; both are good and above national rates. Adult Functional skills is 76.6%, 0.8% below 18/19.

Following improvements in our all age apprenticeship achievement rates (overall and timely) from 17/18 (71.7%; 61.4%) to 18/19 (72.3%; 65.4%) we continued to target further advancement for this provision in 19/20. However, the COVID-19 pandemic has particularly affected this cohort and whilst our 19/20 outturn for all age apprenticeships remains above latest national rates at 66.7% overall (18/19 national rate 66.7%) and timely 60.3% (18/19 national rate 59.9%) our rates for 16-18 apprenticeships have declined for both overall 59.9% (18/19 72.3%) and timely 59.7% (18/ 65.4%). COVID-19 has impacted the whole apprenticeship sector particularly strongly and it is unclear if or when new national rates for 19/20 will be published. Going forwards we continue to focus our attention on supporting our apprentices to progress and achieve in a timely manner at both individual learner and cohort level.

Curriculum developments

The College continued to make progress in ensuring that the provision met local and regional priorities and ensuring that the offer was driven by the College's Strategic Plan. The Curriculum Plan focused on the College's core business and maintained its drive for quality improvement. In order to achieve this the College continued work to:

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- Build the brand of Stoke-on-Trent College to support national, regional and local education policy,
- Develop a curriculum that offers seamless progression from Entry to HE, Apprenticeship programmes and/or Employment.
- Ensure the curriculum meets the needs of government and employers including Apprenticeship Standards, the embedding of British Values and the implementation of ILCT in curriculum delivery
- Establish a quality proposition that delivers a good student experience, improved outcomes for learners and an improved inspection outcome.
- Build the reputation of the College by improving learner and employer satisfaction.
- Continue to develop key strategic partnerships to benefit students, employers and the local community.
- Embed English and maths, independent learning and employability skills to provide students with adaptable skills for employment.
- Deliver an Apprenticeship offer that ensures a smooth transition from Frameworks to standards to meet existing, emerging and future skills needs.
- Ensure ongoing review of the curriculum offer to meet the needs of Local, Regional and National labour market.

Educational, Training and Curriculum Rationale

The curriculum plan for the College is derived from the needs of business, enterprise and the communities the College serves. It aims to meet these needs by providing the highest quality vocational, technical and professional education and training.

The Curriculum strategy covers six key areas:

- Study Programmes for 16-19 year olds
- Adult co-funded Provision, including programmes for the unemployed
- Adult loan provision
- Apprenticeships (both Levy and Non-Levy) and Traineeships
- HE provision in partnership with Staffordshire University
- Full Cost Commercial (including School links, Employer led and Indirect Apprenticeships)

The underpinning principles of the curriculum plan based on the following objectives:

- Delivery is effective and efficient by: viable group sizes, improved quality offer and delivery hours.
- Delivery makes the best use of high quality specialist resources.
- Delivery methods used for the curriculum are engaging, modern and age/learning style appropriate

Classroom provision

To protect the financial viability of the College and to right size and right fit the structure to the needs of the organisation there was an organisational restructure during August 2019. This restructure included the following:

- Additional curriculum middle management posts to reflect the increasing demands of ensuring that the curriculum is appropriately sequenced to meet learners' needs
- A streamlined Executive tier to ensure clearer lines of communication and accountability
- Subject specialist curriculum groupings.
- Streamlined business and curriculum support

Stoke on Trent College ensures that the 16-19 Study Programme offer is compliant with conditions of funding whilst at the same time providing engaging opportunities for young learners through a range of options to enable their progression into work or further study. In readiness for the introduction of 'T' qualifications, the College offers study programmes in pathways and is utilising the capacity development funds for extended work placements. Until the introduction of 'T' qualifications, these pathways have a range of qualifications to suit the differing aspirations of securing employment. This pathway is to be called 'into work' or moving on to further study, called

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'into further study'. All learners aged 16-19 undertake maths and English in GCSE or a stepping stone qualification for entry and level 1 provision, or further maths and English dependent on their prior attainment when they begin their vocational course. In addition, all learners aged 16-19 undertake work experience as part of their study programme.

Funded provision for the unemployed includes Sector Based Work Academies in Business Administration, Adult Social Care and Bespoke Academies, which are targeted to support local employer skills gaps. In addition, the College offers fully funded provision for people who in receipt of Jobseekers Allowance, Employment Support Allowance or Universal Credit.

Adult learner numbers have declined due to the significant cuts in funding experienced by the College over a number of years. Despite this, the College continues to be the largest provider of Adult Learning in the region.

The education attainment of the local population shows that 17% have no formal qualifications, and only 24.5% of adults have level 4+ qualifications (compared to a national average of 37.1%). The curriculum plan does not anticipate any significant growth in adult provision and the overall income profile will therefore remain stable. The adult offer is delivered through a mix of funding streams including fully funded (entitlement provision), co-funded provision including a small number of adult and community learning and loan funding provision which will be dependent on learner status and prior learning achievements:

- Fully Funded free adult offer on selected short courses to support adults in the community in updating their skills, changing careers and finding employment
- Fully funded, entitlement provision in English and maths, ESOL courses for 19+ and pre-employment programme. This is a significant area of provision for the College and includes funded provision for the unemployed together with daytime and evening courses for adults in English and maths
- First level 2 and level 3 qualifications for 19-23's including LEP priority mixed programmes largely infilled into 16-18 Study Programmes. This funded provision is available to adults across all areas including Access to HE programmes (Health, Science and Medicine), Admin and Professional Studies (AAT)
- Self-funded, Co-Funded and Loan Funded provision. Full college tuition rates will apply and are included in the curriculum planning model. These will include:
 - Level 3 Diploma, adult infill provision
 - Access to Higher Education courses
 - Higher technical and professional qualifications

Currently, Access to Higher Education course fees paid by an Advanced Learning Loan will be paid back by the government on successful completion of the course and successful completion of a related Higher Education qualification

- Funded provision for the unemployed. This provision includes Sector Based Work Academies in Business Administration, Adult Social Care and Bespoke Academies, which are targeted to support local employer skills gaps. In addition, the College will offer fully funded provision for people who are in receipt of Jobseekers Allowance, Employment Support Allowance or Universal Credit.

Apprenticeships

Widely recognised as a provider of high quality technical and vocational training the college has invested significantly in curriculum development and staff in order that it can provide the very best Apprenticeship training to employers of North Staffordshire and surrounding areas. Where possible, we seek to deliver services digitally or at least in part digitally, making technology a core part of the way we work.

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The College are constantly developing relationships with businesses to ensure the College are meeting the needs of the area. This continues to be Engineering, Construction and Digital Infrastructure. The College is in conversation with the City Council to develop a digital apprenticeship training hub which will help deliver the city's roll out of full fibre to businesses across the region.

The College's focus is to deliver an exceptional customer experience. It is a competitive marketplace and the College strives to be better than the competitors. The College has to be easier to deal with, friendlier and more helpful – at every instance, from sales to delivery. The College provides solid delivery that exceeds expectations and also incorporates 'little touches' that set it apart and make the College memorable. The College are proactive, looking out for the next steps for both learners and organisations.

B2B aims to partner heavily to achieve its goals. Our focus is in four areas:

- Build on partnerships within the College to deliver the best quality services, as smoothly as possible and to mutual advantage.
- Partner with influencer organisations, such as local authorities, local enterprise organisations – and other colleges via established partnership organisations such as the Association of Colleges and Collab Group. Our aim is to learn from others and to maximise any business opportunities via partnership agreements.
- Partner with delivery organisations to both enable faster growth and to fill gaps in geography, capability, products, services and learning modes.
- Build relationships with the media and media influencers to enable more effective publicity and marketing.

The College has clearly recognised that it will need to continue to respond to technological changes in areas such as Health, Construction, IT and the Engineering sectors and we have taken action in looking to the future of the college by our approach to employer engagement. The restructuring of the business development team has enabled, with support of the LEP and employers, to develop a range of new apprenticeship offers that move the College forward in terms of being cutting-edge in a number of sectors. The sales and contracts team has been restructured so that the College can continue to develop Curriculum and Apprenticeship offers even further with programmes leading to higher level qualifications and Apprenticeships.

Commercial activity

The College has significant volumes of Indirect Apprenticeships where Apprentices are supported from other commercial providers along with notable employers.

Higher Education

There were 64 learners studying HE provision at the College. Under present arrangements, and in the absence of in-house awarding powers, the relationship with HEI partners is crucial in determining the shape of higher education programmes. The College's single partner is Staffordshire University under a franchise arrangement. The College has a progression agreement with Keele University. This year the College has completed the following actions:

- Promotion of the College's Higher Education offer through a more visible and distinct identity
- Maintaining strong relationships with validating University Partners in order to provide a range of progression opportunities
- Review of the HE offer in order to provide an increased range of progression opportunities for FE learners.

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Support for Learners

The support provided for learners sits within the Directorate of Student Services. The support provided includes a range of functions both in and out of class for College learners also covering Safeguarding and personal development, behaviour and attitudes. Additionally, it also includes leading on the Learner Involvement Strategy and working with the Quality department to ensure learner and stakeholder engagement is effective, and allows numerous opportunities for learners to feedback to the College about their experience and be involved in the life of their College. There is a specific function that provides dedicated health and wellbeing support that focuses on the pastoral needs of learners and also taking a pro-active approach in raising awareness of key issues that impact on learners' lives such as sex and relationships, healthy living and building aspirations. Wherever possible, the College offers a wide and varied range of personal, social, moral, financial, spiritual and cultural development opportunities through the wellbeing teams and as part of the enrichment offer.

Value for money is achieved by maximising the free input from local services and using, where possible, electronic media to disseminate information. The development of 'Health Zones' on both campuses means that the service providers are delivering their services 'in house'. Relevant staff have received training from the Sexual Health Service to enable them to deliver and provide appropriate support to learners and share their experiences with other professionals. This enhances a multi-agency approach to supporting young people and vulnerable adults. 100% of customers rate this service as excellent, very good/good. In addition, 10 Health awareness campaigns run throughout the academic year:

National Sexual Health
Week
Breast Cancer Awareness
World Mental Health Day
World Aids Day
National Obesity Week

World Cancer Day
National Anti-Bullying
National Heart Month
National No Smoking Day
Depression Awareness
Drugs Awareness

The Big Tutorial offer for 16-18 learners (including apprentices) includes tutorials on relevant and key themes such as Raising Aspirations, Staying Safe and Resilience. In addition, there are a range of e-tutorials that learners can access including Safeguarding, Prevent, Equality & Diversity, British Values, Wellbeing, Work Experience, Study Skills and Progression & Careers.

The enrichment programme offers a wide range of sporting and non-sporting activities across both campuses such as Archery, Boxing, Football, Climbing Club, Judo and Table Tennis. As well as UK and International opportunities, including our flagship Challenge South Africa programme.

The Learner Involvement Team won 'Student Support Services Team of the Year' at the NAMSS National Conference at the Hilton Hotel in Bristol in March 2020. This award was received in recognition of an excellent enrichment offer at both campuses.

The College Mentor Team assist learners with personal, social welfare related issues which may put them 'at risk' of dropping out of education. Early intervention is paramount to the welfare of our most vulnerable learners. The Student Financial Assistance Team supports learners with their financial and transport applications, removing barriers regarding accessing further education.

There are highly effective and efficient Financial Support systems and processes in place ensuring learners get assistance at their point of need, supporting retention and achievement for vulnerable individuals.

The development of employability skills is embedded within teaching, learning and assessment and is also supported through the delivery of employability programmes in tutorials, which is delivered and monitored by Personal Tutors and overseen by the Director of Student Services. There is a Careers team in College who will provide careers related IAG (information, advice and guidance) support to all learners and who develop career plans for full and part time learners. They provide

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CV/Interview tutorials and in addition are responsible for UCAS applications for level 3 learners. The College has a Careers Education Advice Information and Guidance Strategy in place that maps to the Gatsby benchmarks.

To support the employability skills of all learners, particularly those who are on the study programme, the College has a dedicated team of Work Experience Officers. Their role is to work with each department to ensure all the learners undertake a meaningful work experience opportunity. Due to the increased numbers of learners who require work experience, the team are working on efficient methods that support both the learner and the employer.

The College's Learning Support Team consists of Learning Support Assistants (LSAs) and Communication Support Workers (CSWs) who provide targeted support for 16-18s, 19+ and apprentice learners.

The Learning Support Team provide in support to a range of different learners:

- In class to learners with High Needs
- In class to Learners with Education Health and Care Plans where the plan specifies there is a need
- In class for individual Learners referred for assessment of need for which LSA support has been identified as a requirement
- In class for a group of learners who are operating a low level where needs have been identified
- Out of class for study skills sessions where learners are signposted to additional support
- Loan of specialist equipment such as Dictaphone, laptop with specialist software, reading pens – to encourage independence

The College team work closely with local authorities to ensure a smooth transition from school for those with plans, and also in identifying High Needs funds where appropriate. The funds used effectively to ensure appropriate and adequate staffing that meets the individual needs of the learners and encouraged independence and progression.

The Learning Support Team maintain caseload records to ensure all supported learners have an assessment of need and evidence of support provided. The assessment of need and evidence of support may be included in a Group Profile, ongoing caseload records, on a Summary of Need or Assessment of Need depending on the level of support required and information provided by the learner to the Learning Support Team.

The Learning Support Team plays a key role in supporting the College to meet its duties under the Equality Act 2010 to ensure all learners have equality of opportunity and access to College services.

In 2014, the introduction of the Children and Families Act has placed additional duties on educational institutions to support learners with an Education Health and Care Plan. We currently have c.125 plans at the College of which approximately 52 are high needs, subject to confirmation with the local authorities. We have close working relationships with Stoke on Trent and Staffordshire Local Authorities to support the process and to identify and cost the support needs of learners with an EHC plan to transfer to the College.

The College has a duty under Raising Participation Age legislation to track 16-18 learners and to ensure that any who withdraw are referred to the Local Authority careers team. An automatic email is generated weekly to advise the LA of learners who withdraw. Schools identify learners at risk of withdrawal prior to their transfer to College and complete a Risk of NEET Index (RONI) Action Plan. All learners in receipt of support are robustly tracked and monitored.

COVID-19

As soon as lockdown started, the Mental Health and Well-being Team adapted their ways of working to ensure they met student needs. Appointments were offered through telephone, video call and instant messenger. Throughout the period, the service hosted drop in sessions, as well as additional

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group work, such as an 'It's Good to Talk' group and a 'Tea and Talk' group every week for learners to access.

The careers team supported worried members of the public as well as students, providing virtual careers advice on training, CV writing and job hunting. The Admissions team responded to calls and emails from young people concerned about exam results, providing reassurance about their College places in 2020/21. The virtual open event sessions were very successful.

The Learner Financial Assistance team sent out weekly e-vouchers to all students in receipt of the vulnerable bursary fund payments, or free school meals.

As a way of staying connected and looking after our staff members, the College Counsellor created 'My Acts of Self-Care,' via Teams, and also hosted 'Tea and Talk' every Friday. The counselling service continued with regular 'check ins' to provide the support required and a sense of community and connection with the College.

Throughout lockdown the College's Emotional Wellbeing Warriors wrote regular blogs. Students and staff could access the blog each week to receive support about a wide range of wellbeing issues including self-care, body positivity, anxiety management and mindfulness. The College also set up Instagram pages for students and staff posting motivational quotes, tips and positivity.

The Mentors also worked hard during lockdown to support students. They offered support via telephone and Zoom meetings. They also delivered peer mentor training and group support, as well as interactive arts and craft sessions online. Learners were updated regularly via social media including 'quit smoking day', 'Pride', 'Carers week' 'refugee week' 'Ramadan, Eid' and 'world environment day'. For Mental Health Awareness week in May, there was a 'Come What May' photo challenge, Q&A sessions via Instagram, and online introduction to reiki and mindfulness sessions.

The Learner Involvement & Enrichment Team in conjunction with the Well-being Team and Mentors were quick to develop a range of online Enrichment activities in order to support and engage with learners during the Lockdown period. These included BAME Voice, Peer Mentor Sessions, 'Mr Slotivator' (online exercise), Online Ludo and Virtual Pool. Mentors and Peer mentors accessed the online enrichment activities for safeguarding and to encourage learners.

The final Learner Voice Conference took place on 21st May via Zoom with 22 participants in attendance. The focus of the conference was health and well-being. The conference also included dedicated time for an enrichment focus group for learners to share ideas in relation to the enrichment offer for 2020/21, including ideas for virtual/online clubs.

For the first time, Students' Union Elections were held online. All Students' Union Executive posts were filled and the initial welcome meeting took place via Zoom.

Future developments

The College aims to increase the financial contribution from its activities as a result of the further application of its financial improvement strategy. In addition, it would like to reduce dependency on monies from the funding agencies, building on increased success with regard to bids for funding from other sources. However, the full impact of COVID-19 will be unknown for some time to come, but is expected to reduce the funding from other sources in the short term.

Resources and Estate developments

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main College sites at Burslem and Caudon. In addition to the College sites, there is equipment with a net book value of £3.8m employed in the delivery of teaching and learning. During the year, the College completed phase one of the relocation of art and design to the Caudon campus and started an ambitious programme of investment in IT.

Stoke on Trent College

Financial Statements for the year ending 31 July 2020

Financial resources

The College has total assets less current liabilities of £52.7m. The College has long-term debt of £34.6m of which £30.4m relates to deferred capital grants and pension and other obligations of £25.3m. The College's total net liabilities are £7.2m.

People

The College employs 459 people (expressed as average head count), of whom 157 are teaching staff (2018/19: 534 average headcount).

Reputation

The College has a strong reputation for the positive experience of learners and the extent of services offered to employers. The maintenance of this reputation is essential in continuing to attract students and successful external relationships.

Major Estates developments

During 2019/20 there was investment in the Creative and Digital Industries building at Cauldon, and new science laboratories at Burslem and the introduction of virtual and augmented reality hubs at both sites.

Principal risks and uncertainties

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the College undertakes a regular review of the risks to which the College is exposed. This identifies systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. Review of risks is also undertaken by stakeholders including the ESFA, the Provider Management Oversight unit and the bank.

A risk register is maintained which is reviewed periodically by the Corporation. The risk register identifies the 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 the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

a) Government funding

The College has considerable reliance on continued government funding through the relevant funding bodies. In 2019/20, 83% of the College's revenue was ultimately public funded (2018/19 81%) excluding RF deal and clawback. This level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at similar levels or on the same terms. The College is aware of the following issues which may impact on future funding:-

- Ongoing pressures on central Government funding
- Changes to Apprenticeship funding
- Brexit
- A reduction in learner numbers and learner or employer engagement
- COVID-19

Stoke on Trent College

Financial Statements for the year ending 31 July 2020

This risk is mitigated in a number of ways:-

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering quality education and training
- Considerable focus and investment is placed on regular dialogue with and maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Engagement with other local providers
- Strong marketing activity
- Managing relationships with key funders and stakeholders
- COVID-19 secure facilities, distance learning

b) Tuition fee policy

In line with the majority of other Colleges, Stoke on Trent College will seek to increase tuition fees in accordance with the relevant fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

The risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses as prices change.

c) Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102. This is particularly relevant in respect of the College's subsidiary company activity.

d) Failure to achieve financial sustainability

The Area Review concluded in June 2016 that the College would have until the end of October 2016 to develop an appropriate option to secure sustainability in collaboration with local partners. This was followed by a Structure and Prospects Appraisal (SPA), which was concluded in February 2017 and recommended a 'fresh start' approach as the College had been unable to find a willing strategic partner.

The College was given until September 2017 to formulate a strategic business plan for formal submission to the Transaction Unit for restructuring funds, identifying the necessary financial support required to secure the College's future financial viability. Following a number of reviews during the course of 2017/18, the College secured a refinancing package in September 2018. Further detail is provided in the note 1 to the accounts.

During 2017/18, the College was reliant on exceptional financial support in order to meet its working capital requirements and debt servicing obligations. Whilst the College's calculated financial health grade at 31st July 2019 was 'Requires Improvement', the Restructuring Fund Deal meant that the College was in a significantly better financial position by the end of 2018/19. However, the College's financial health is a risk if the business plan is not delivered. The Corporation are mindful of the impact of the FE insolvency regime and as such, they continue to monitor the position regularly.

e) COVID-19

The College developed a rapid and robust response to the COVID-19 pandemic. A COVID-19 working group was led by a member of the Executive Board with representation from health and safety, estates, unions, teaching and business support staff. Chairs of the Corporation Board committees and senior postholders met more regularly for informal keep in touch meetings

Stoke on Trent College

Financial Statements for the year ending 31 July 2020

throughout the period and the Executive Team met twice a week initially to respond to the changing circumstances. There was a strong focus on supporting students to continue to learn and on ensuring that students' and staff mental health and wellbeing were well supported. Regular meetings were held with external stakeholders including the ESFA, the bank and the PMO to monitor the updated financial position. A COVID-19 risk register was developed to ensure that the college's reopening procedures in September 2020 were fit for purpose. In November 2020, Ofsted undertook an interim visit to assess the college's response to COVID-19. The interim visit was to help learners, parents, employers and government understand how the College is meeting the needs of students and apprentices in this period, including learners with high needs and those with special educational needs and disabilities. The three key questions were:

1. What actions are leaders taking to ensure that they provide an appropriate curriculum that responds to the reasonable needs of learners and stakeholders and adapts to changed circumstances?
2. What steps are leaders, managers and staff taking to ensure that the approaches used for building knowledge and skills are appropriate to meet the reasonable needs of learners?
3. How are leaders ensuring that learners are safe and well informed about potential risks, including from online sources?

The College received very positive feedback from the visit.

Equality, Diversity & Inclusion

The College has an inclusive culture and approach, and is committed to ensuring equality of opportunity for all who learn and work here. We respect and positively value diversity and difference in line with the 9 Protected Characteristics of the Equality Act 2010, namely race, gender, sexual orientation, disability, marriage and civil partnership, pregnancy and maternity, religion or belief, and age. We strive vigorously to remove conditions which place people at a disadvantage and we will not tolerate discrimination or less favourable treatment, in any way or form. The College's Harassment & Bullying and Dignity & Respect at Work Policy is available on the College's Intranet site.

The College ensures compliance with all relevant legislation, including the Equality Act 2010, as above. Equality impact assessments are also undertaken for new or revised policies and procedures on a prioritised basis.

The College has 'Disability Confident - Employer' status and has committed to the principles and objectives of the Disability Confident standard. The College guarantees an interview to any disabled applicant who declares their disability, indicates that they wish to take part in the scheme, and who meets the essential criteria for the post. Where an existing employee becomes disabled, adjustments are discussed and implemented as appropriate, wherever reasonably practicable.

The College requires all new employees to have undertaken Equality & Diversity training as part of their induction, and existing staff have also undertaken this. Refresher training and training is carried out on a cyclical basis.

Disability statement

The College is committed to achieving the objectives as set out in the Equality Act 2010.

- a) as part of the re-development of the estate, it has installed lifts and ramps so that most of its facilities will allow access to people with a disability
- b) specialist equipment is available for use by students
- c) the admissions policy for all students is described in the College Charter. Appeals against a decision not to offer a place to an applicant are dealt with under the complaints policy
- d) the College has made a significant investment in the appointment of lecturers to support students with learning difficulties and/or disabilities;
- e) there are a number of Student Support Assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the

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provision of a high level of appropriate support for students who have learning difficulties and/or disabilities

- f) specialist programmes are described in programme information guides
- g) counselling and welfare services are described in the College Charter.

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 in the period	FTE employee number
3	3

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

Total cost of facility time (£000)	54
Total pay bill (£000)	12,124
Percentage of total bill spent on facility time	0.04%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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Events after the reporting period

There are no events after the reporting period which would significantly affect the accounts.

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware, and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

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



Jeremy Cartwright
Chair

11 December 2020

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Statement of Corporate Governance and Internal Control

Governance Statement

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from the 1 August 2019 to the 31 July 2020 and up to the date of approval of the financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code");

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2020. This opinion is based on an internal review of compliance with the Code. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on the 27 November 2015.

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

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report are listed below.

Members (and % attendance at Corporation Board meetings)	Date appointed	Term of Office	Date of Resignation	Status of Appointment	Committee (and % attendance at Committee meetings)
BOOTH, Cecilie 100%	01.10.18	4 Years 1 st Term	13.01.2020	External	Audit 50%
BOUGHEY, David (Vice Chair) 100%	08.09.17	4 Years 1 st Term		External	Transformation, Finance and Resources (Chair) 89%
BROWN, Denise 100%	17.07.17	Contractual Term		Principal and CEO	Transformation, Finance and Resources 89% Curriculum, Quality and Standards 100% Governance 100%
CARTWRIGHT, Jeremy (Chair)	08.09.17	4 Years 1 st Term		External	Transformation, Finance & Resources

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100%					100%
					Governance 100%
FISHER, Rob 62.5%	01.10.18	4 Years 1 st Term		External	Curriculum, Quality & Standards 20%
					Governance (Chair)100%
HOPLEY, Dave 75%	23.10.15 Re-appoint 23.10.19	4 Years 1 st Term 4 Years 2 nd Term		Staff	None
JONES, Martin 0%	10.02.17	4 Years 1 st Term	14.01.2020	External	Audit (Chair until January 2020) 100%
MOUNTNEY, Jo 50%	01.10.18	4 Years 1 st Term		External	Curriculum, Quality and Standards 63%
NAGI, Pritpal Singh 37.5%	06.12.13 Re-appoint 6.12.17	4 Years 1 st Term 4 Years 2 nd Term		External	Audit 0%
OBADA, Julie 87.5%	10.02.17	4 Years 1 st Term		External	Audit 60%
					Curriculum, Quality & Standards 75%
SAWBRIDGE, Stephen 100%	12.05.17	4 Years 1 st Term		External	Curriculum, Quality and Standards (Chair) 100%
					Governance 100%
					Audit 100%
TALBOT, Stephanie 75%	01.10.18	4 Years 1 st Term		External	Transformation, Finance & Resources 67%
BLAKE, Sue 71%	12.09.2019	4 Years 1 st Term		External	Curriculum, Quality & Standards 71%
AMIN, Sibgha 100%	05.11.19	4 Years 1 st Term		External	None
LANCASTER, Jason 75%	25.02.2020	4 Years 1 st Term		External	Curriculum, Quality & Standards 100%
ROGERS, David 75%	25.02.2020	4 Years 1 st Term		External	Audit (Chair) 100%
MCKAY, Andy 75%	25.02.2020	4 Years 1 st Term		External	Transformation, Finance & Resources 100%

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HAZLEDINE, Donna	17.7.2020	4 Years 1 st term		Staff	None
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External Co-opted Members	Date appointed	Term of office	Date of Resignation	Status of Appointment	Committee
ANTHONY, Amanda	12.05.17 Re-appoint 31.7.19	1 Year 2017/18 4 Years 2 nd Term		Co-optee	Audit 80%
CARRIGAN, Jason	01.09.18 Re-appoint 31.07.19	1 Year 2018/19 3 Years 2 nd Term		Co-optee	Transformation, Finance and Resources 67%
PALMER, Mark	17.11.2020	1 Year 2020/21		Co-optee	Capital Projects Committee
PHILLIPSON, Patricia	11.12.2020	4 Years 1 st term		Co-optee	Transformation, Finance and Resources

Student Governors	Date appointed	Term of office	Date of Resignation	Status of Appointment	Committees
FLETCHER, Georgia	18.09.19	1 Year 2019/20	Term of office ended 31.07.20	Student	None
BUCCHERI, Rhiannon	05.11.19	1 Year 2019/20	Term of office ended 31.07.20	Student	None
HAZLEDINE, Donna	12.12.19	1 Year 2019/20	May 2020	Student	None
MANSFIELD, Shannon	17.7.2020	1 Year 2020/21	Term ends 31.07.2021	Student	None
LESSELS, Aimee	09.10.2020	1 Year 2020/21	Term ends 31.07.2021	Student	None

The Clerk to the Corporation is Maxine Bagshaw.

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

The Corporation is provided with regular and timely information on the overall financial performance of the College, together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters, such as health and safety and environmental issues. The Corporation met 8 times during the year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are:

- Audit Committee
- Transformation, Finance and Resources Committee
- Curriculum, Quality and Standards Committee
- Governance Committee

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at stokecoll.ac.uk or from the Clerk to the Corporation at the college's registered address. This is Stoke-on-Trent College, Cauldon Campus, Stoke Road, Shelton, Stoke-on-Trent ST4 2DG.

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

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

Formal agendas, papers and reports are supplied to governors prior to Board meetings. Briefings are provided on an ad hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a governance committee, consisting of four members of the Corporation, which is responsible for the interview, selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2019. This was through a number of mechanisms including governor 1:1's with the Chair of the Corporation, the Chair's appraisal by governors and an online questionnaire based on the Education Inspection Framework. The Board graded itself as "good" on the Ofsted scale but acknowledged that there are aspects of governance still to develop and improve.

Audit Committee

The Audit Committee comprises of 5 members of the Corporation (excluding the Accounting Officer and Chair) The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity 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 main FE funding bodies as they affect the College's business.

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

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

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

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Transformation, Finance & Resources Committee

The Transformation, Finance & Resources Committee comprises of 6 members of the Corporation. It met 9 times in the year and the timing of meetings aligns with the prompt provision and review of the management accounts. The Committee works to an agreed schedule of business items. These are a mixture of finance matters, Transformation progress reviews, HR and Estates reports. Minutes of each meeting are presented to the Board at the next subsequent meeting.

Membership of the Transformation, Finance & Resources Committee is 6, with 4 members being governors, the CEO/Principal and one external Committee Co-optee who is a qualified/practicing accountant.

Curriculum, Quality & Standards Committee

In 2019/20, the Board continued to operate its Curriculum, Quality and Standards Committee. This is a Committee established to inform and monitor all matters relating to Curriculum and Quality strategy development and implementation, results and performance. The Committee operates in accordance with written terms of reference approved by the Corporation.

8 Meetings took place in the year and matters considered were scheduled to an agreed work plan.

Membership of the Committee consisted of 7 Governors and all members of the board have an open invite to attend and observe this committee's discussions.

Governance Committee

This Committee was established in 2019/20 and had its first meeting in June 2019. The Committee operates in accordance with written terms of reference approved by the Corporation. The Committee supports the Board in relation to governor recruitment and monitoring of existing governance arrangements/performance. The Committee also supports the Board in terms of senior post holder performance reviews and objective setting. There were 4 meetings held in the year.

Membership of the Committee is 4 for governance items (including the Principal). For matters relating to senior post holder performance, the Principal is excluded from counting towards the quorum.

Internal Control

Scope of Responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable, not absolute, assurance against material misstatement or loss.

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

The purpose of the system of internal control

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Stoke on Trent

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College for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation 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 Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures, including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body.
- Regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. As a minimum annually, the Head of Internal Audit (HIA) provides the governing body 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.

Risks faced by the Corporation

The Corporation identifies, evaluates, and manages risk, including an impact and likelihood evaluation of key operational, financial, compliant and other risks through the Board Assurance Framework and the Strategic Risk Register. The key risks are outlined in the Strategic Report and include Government funding, the failure to achieve financial sustainability and COVID-19.

Control weaknesses identified

No weaknesses have been identified within the College's corporate governance or internal control systems.

Responsibilities under funding agreements

The Corporation is confident that it has met its contractual responsibilities under its funding agreements and contracts with ESFA.

Statement from the Audit Committee

The specific areas of work monitored by the Audit Committee in 2019/20 and up to the date of the approval of the financial statements are set out in the 2019/20 Annual Report of the Audit Committee to the Corporation. The Audit Committee concluded that on the basis of the assurances provided in various reports, it believes that suitable arrangements were in place to ensure adequate and effective assurance arrangements, the framework of governance, risk

Stoke on Trent College

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management and control processes to ensure the effective and efficient use of resources, solvency of the College and the safeguarding of its assets.

On that basis, the Audit Committee has advised the Board of Governors that the Corporation has an effective framework for governance and risk management in place.

Review of effectiveness

As Accounting Officer, the Principal and 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.
- 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 this 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 Corporation Board 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 internal executive board 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 Corporation's agenda includes a regular item for consideration of risk and controls and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 11 December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering assurances from the executive management team and internal audit, and taking account of events since 31 July 2020.

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

Going Concern

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

The Restructuring Fund deal in 2018/19 included funds to reduce the level of College borrowings. The College now has £2.9m of loans with Lloyds bank and £0.5m with the ESFA. The bank continues to support the College and an overdraft of £300k remains in place. The College forecasts and projections indicate that it will be able to operate within existing facilities and covenants for at least the next twelve months.

Stoke on Trent College
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Due to the reduced level of borrowing, 'outstanding' financial health as calculated in the Finance Record and the College's forecast operating and cash performance for at least the next twelve months, 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.

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



Jeremy Cartwright
Chair

11th December 2020



Denise Brown
Principal and Chief Executive

11th December 2020

Governing Body's Statement of the College's Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreement and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreement and contracts with the ESFA.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's grant funding agreement and contracts with the ESFA, or any other public funder.

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



Jeremy Cartwright
Chair

11th December 2020



Denise Brown
Principal and Chief Executive

11th December 2020

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation who act as trustees for the charitable activities of the College are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Funding Agreement between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Operating and Financial Review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

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

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

The Corporation is responsible for keeping proper accounting records which are sufficient to show and explain the company's transactions and disclose with reasonable accuracy, at any time, the financial position of the College, and enable it to ensure that the financial statements are prepared in accordance with the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; 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 Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Funding Agreement with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 11th December 2020 and signed on its behalf by:



Jeremy Cartwright
Chair

11th December 2020

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF STOKE ON TRENT COLLEGE

Opinion

We have audited the financial statements of Stoke on Trent College (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2020 which comprise the consolidated and College statements of comprehensive income, the consolidated and College balance sheets, the consolidated and College statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2020 and of the Group's and the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the [group's or the] college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work

Stoke on Trent College

Financial Statements for the year ending 31 July 2020

we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2019 to 2020 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation of Stoke on Trent College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 27, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Group's and the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 3 November 2020. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
Chartered Accountants
Festival Way
Festival Park
Stoke-on-Trent
ST1 5BB

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF STOKE ON TRENT COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH EDUCATION AND SKILLS FUNDING AGENCY

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 3 November 2020 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Stoke on Trent College during the period 1 August 2019 to 31 July 2020 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the "ACoP") 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.

We are independent of Stoke on Trent College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

Responsibilities of Corporation of Stoke on Trent College for regularity

The Corporation of Stoke on Trent College is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of Stoke on Trent College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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 ACoP.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently, a limited assurance engagement 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.

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 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Stoke on Trent College
Financial Statements for the year ending 31 July 2020

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high-level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

This report is made solely to the Corporation of Stoke on Trent College and the Secretary of State for Education acting through 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 Stoke on Trent College and the Secretary of State for Education acting through 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 Stoke on Trent College and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

RSM UK AUDIT LLP
Chartered Accountants
RSM UK Audit LLP
Festival Way
Festival Park
Stoke-on-Trent
ST1 5BB

Stoke on Trent College
Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July		Year ended 31 July	
		2020	2020	2019	2019
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2				
- recurring funding body grants		16,955		18,405	
- non recurring restructuring facility grant		(1,010)		17,462	
			15,945		35,866
Tuition fees and education contracts	3		2,358		3,245
Other grants and contracts	4		453		146
Other income	5		624		795
Endowment and investment income	6		-		-
			139		129
Total income		19,380	19,452	40,052	40,182
EXPENDITURE					
Staff costs	7		12,712		14,741
Other operating expenses	8		5,187		7,365
Depreciation	11		2,195		2,043
Interest and other finance costs	9				
- Interest		556		635	
- Loan breakage costs		-		1,759	
			556		2,394
Total expenditure		20,650	20,722	26,543	26,673
(Deficit)/surplus before other gains and losses		(1,270)	(1,270)	13,509	13,509
(Deficit)/surplus before tax		(1,270)	(1,270)	13,509	13,509
Taxation	10		-		-
(Deficit)/surplus for the year		(1,270)	(1,270)	13,509	13,509
Remeasurement of net defined benefit pension liability	23		(6,021)		(4,050)
Total Comprehensive Income for the year		(7,291)	(7,291)	9,459	9,459
Represented by:					
Unrestricted comprehensive income			(7 291)		9,459
Restricted comprehensive income			-		-
			(7,291)		9,459
Surplus for the year attributable to:					
Non controlling interest			-		-
Group			(7 291)		9,459
Total Comprehensive Income for the year attributable to:					
Non controlling interest			-		-
Group			(7,291)		9,459

Stoke on Trent College
Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2018	(14,125)	4,731	(9,394)
Surplus from the income and expenditure account	13,509	-	13,509
Other comprehensive income	(4,050)	-	(4,050)
Transfers between revaluation and income and expenditure reserves	125	(125)	-
Total comprehensive income for the year	9,584	(125)	9,459
Balance at 31st July 2019	(4,541)	4,606	65
Deficit from the income and expenditure account	(1,270)	-	(1,270)
Other comprehensive income	(6,021)	-	(6,021)
Transfers between revaluation and income and expenditure reserves	125	(125)	0
Total comprehensive income for the year	(7,166)	(125)	(7,291)
Balance at 31st July 2020	(11,707)	4,481	(7,226)
College			
Balance at 1st August 2018	(14,125)	4,731	(9,394)
Surplus from the income and expenditure account	13,509	-	13,509
Other comprehensive income	(4,050)	-	(4,050)
Transfers between revaluation and income and expenditure reserves	125	(125)	-
Total comprehensive income for the year	9,584	(125)	9,459
Balance at 31st July 2019	(4,541)	4,606	65
Deficit from the income and expenditure account	(1,270)	-	(1,270)
Other comprehensive income	(6,021)	-	(6,021)
Transfers between revaluation and income and expenditure reserves	125	(125)	0
Total comprehensive income for the year	(7,166)	(125)	(7,291)
Balance at 31st July 2020	(11,707)	4,481	(7,226)

Stoke on Trent College
Balance sheets as at 31 July 2020

	Notes	Group	College	Group	College	
		2020 £'000	2020 £'000	2019 £'000	2019 £'000	
Fixed assets						
Tangible fixed assets	11	52,108	52,108	52,907	52,907	
Investments	12	-	-	-	-	
		52,108	52,108	52,907	52,907	
Current assets						
Stocks		3	3	3	3	
Trade and other receivables	13	1,271	1,281	1,510	1,520	
Cash and cash equivalents	18	2,662	2,615	3,538	3,491	
		3,936	3,899	5,051	5,014	
Creditors – amounts falling due within one year	14	(3,343)	(3,306)	(4,134)	(4,097)	791
Net current assets		593	593	917	917	
Total assets less current liabilities		52,701	52,701	53,824	53,824	
Creditors – amounts falling due after more than one year	15	(34,608)	(34,608)	(35,023)	(35,023)	415
Provisions						
Defined benefit obligations	17	(22,612)	(22,612)	(16,032)	(16,032)	
Other provisions	17	(2,707)	(2,707)	(2,704)	(2,704)	
Total net assets/(liabilities)		(7,226)	(7,226)	65	65	
Unrestricted reserves						
Income and expenditure account		(11,707)	(11,707)	(4,541)	(4,541)	
Revaluation reserve		4,481	4,481	4,606	4,606	
Total unrestricted reserves		(7,226)	(7,226)	65	65	
Total reserves		(7,226)	(7,226)	65	65	

The financial statements on pages 32-55 were approved and authorised for issue by the Corporation on 11th December 2020 and were signed on its behalf on that date by:



Jeremy Cartwright
Chair



Denise Brown
Accounting Officer

Stoke on Trent College
Consolidated Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
Cash flow from operating activities			
Surplus/(deficit) for the year		(1,270)	13,509
Adjustment for non-cash items			
Depreciation		2,195	2,043
Decrease/(increase) in stocks		-	6
Decrease/(increase) in debtors		239	900
(Decrease)/increase in creditors due within one year		(796)	(1,186)
Increase/(decrease) in creditors due after one year		(274)	1,897
Decrease in provisions		3	(57)
Pensions costs less contributions payable		559	724
Adjustment for investing or financing activities			
Interest payable		164	2,004
		<u>820</u>	<u>19,841</u>
Net cash flow from operating activities			
		<u>820</u>	<u>19,841</u>
Cash flows from investing activities			
Payments made to acquire fixed assets		(1,396)	(1,775)
		<u>(1,396)</u>	<u>(1,775)</u>
Cash flows from financing activities			
Interest paid		(164)	(2,004)
New unsecured loans		-	500
Repayments of amounts borrowed		(135)	(14,860)
		<u>(299)</u>	<u>(16,364)</u>
Increase in cash and cash equivalents in the year		<u>(875)</u>	<u>1,702</u>
Cash and cash equivalents at beginning of the year	18	3,538	1,836
Cash and cash equivalents at end of the year	18	2,662	3,538

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

General information

Stoke on Trent College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 3. The nature of the college's operations is set out in the Report of the Governing Body.

Basis of accounting

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2019 to 2020 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in sterling which is the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £'000 except where otherwise stated.

In accordance with the 2019 FE HE SORP and FRS 102, the College in its separate financial statements, which are presented alongside the consolidated financial statements, has now taken advantage of the disclosure exemptions available to it in respect of presentation of a cash flow statements and financial instruments.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, Education Business Services Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation.

In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31st July.

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.

Following notification by the SFA that the College had been assessed as inadequate for financial health, the College was reviewed under the intervention process, as set out in 'Rigour and Responsiveness in Skills (April '13)'. The FE Commissioner was tasked with advising the Minister and Chief Executive of the SFA on whether the College had the capacity and capability to deliver financial recovery. The College received a favourable outcome and the Minister endorsed the College's Governing Body and Senior Management to lead its own recovery, with initial actions

Stoke on Trent College

Financial Statements for the year ending 31 July 2020

being implemented. A Financial Notice to Improve was issued by the Funding Agency on 28th July 2020 and replaces the Notice of Concern dated 20th October 2014.

Going Concern (continued)

In previous financial years, in recognition of the College's challenging cash position and with the objective of settling its existing debt obligations, removing reliance on short-term financial support and placing the College on a more secure operational footing, the College secured a Restructuring Fund deal in 2018/19. The main element being the repayment of three of the four existing bank loans, BIS loans debt and the outstanding EFS support. In total the College received £20.349m, of which £17.5m was recognised in the Statement of Comprehensive Income in 2018/19; the balance of £2.887m used to support capital projects in the same year. Of the Restructuring Facility Grant, £17.5m, included in the College's income for 2018/19, £8m is a recoverable finance performance related grant. The grant conditions state that these funds are recoverable from disposal proceeds and excess cash flow.

The RF Deal includes an agreement that the ESFA will not recover the liability to the extent that it would cause the College to breach its bank covenants. The ESFA also has the discretion to waive the College's liability if the potential repayment has been deferred for a period of more than six years. This condition of funding will remain in place until 31st July 2030. The ESFA have reaffirmed their acceptance of the terms of the Deal post year end.

The Restructuring Deal included funds to reduce the level of College borrowings, as detailed in Note 16. The College currently has £3m of loans outstanding with Lloyds Bank and £0.5m loan owed to the ESFA. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future as the ESFA have confirmed they will not recover the full liability due to be repaid in April 2021 in accordance with the terms of the RF Deal. The College has tested the bank covenants as at the year end and looking forward over the period to July 2022. As a result, the College has agreed with the ESFA that the £1m due to be repaid will fall as follows: £21k due in April 2021, £297k due in April 2022 and the balance deferred to a following period. Creditors have been recognised in these financial statements on that basis.

The College continues to monitor all bank covenants, including its forward financing needs. The Bank continue to support the College and an overdraft facility of £300k remains in place.

Due to the reduced level of borrowing and the College's forecast operating and cash performance for the next two years, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. For this reason, no material uncertainty over going concern exists and it 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 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 funding is not subject to reconciliation and is therefore not subject to contract adjustments.

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.

Stoke on Trent College

Financial Statements for the year ending 31 July 2020

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

Recognition of income (continued)

Fee income

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

Investment income

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

Agency arrangements

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Staffordshire 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.

Stoke on Trent College
Financial Statements for the year ending 31 July 2020

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 the comprehensive income.

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future costs of any enhancement to the on-going pension of a former member of staff is charged in full to the College's income in the year that the staff member retires. In subsequent years, a charge is made to provisions in the balance sheet.

Fixed asset investments

Interests in subsidiaries are initially measured at costs and subsequently measured at cost less any accumulated impairment losses in the separate financial statements of the College.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairments losses or reversals of impairment losses are recognised immediately in comprehensive income.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 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 fixed assets have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Freehold and leasehold buildings are depreciated over their expected useful economic life to the College of between 15 and 50 years.

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

The College has a policy of depreciating major adaptations and refurbishments to buildings over the period of their useful economic life.

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 chose not to revalue its fixed assets but continue to carry fixed assets at the depreciated historic cost.

Stoke on Trent College
Financial Statements for the year ending 31 July 2020

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.

Non-current Assets - Tangible fixed assets (continued)

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight line basis over their useful economic life as follows:-

General equipment	3 to 15 years
Furniture, fixtures and fittings	3 to 15 years
Computer equipment	3 to 5 years
Motor vehicles	5 years

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

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

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 minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The college's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

Provisions are recognised when

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

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

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly

Stoke on Trent College

Financial Statements for the year ending 31 July 2020

within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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 23, 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 2020. 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.

Stoke on Trent College
Notes to the Accounts (continued)

2 Funding body grants

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	5,123	5,123	5,695	5,695
Education and Skills Funding Agency – 16 -18	8,108	8,108	8,125	8,125
Education and Skills Funding Agency - apprenticeships	1,942	1,942	2,100	2,100
Non Recurrent grants				
Education and Skills Funding Agency - Restructuring Facility	(1,010)	(1,010)	17,462	17,462
Specific Grants				
ESFA Strategic College Improvement Fund	-	-	50	50
ESFA Work Placement Capacity & Delivery Fund	116	116	132	132
ESFA Career Learning Pilot	-	-	65	65
ESFA Maths Project	83	83	12	12
EU Grants	-	-	1,051	1,051
Teacher Pension Scheme Contribution Grant	340	340	-	-
Release of government capital grants	1,243	1,243	1,175	1,175
Total	15,945	15,945	35,866	35,866

3 Tuition fees and education contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	681	681	1,008	1,008
Apprenticeship fees and contracts	25	25	68	68
Fees for FE loan supported courses	370	370	628	628
Fees for HE loan supported courses	277	277	455	455
Total tuition fees	1,353	1,353	2,159	2,159
Education contracts	1,005	1,005	1,086	1,086
Total	2,358	2,358	3,245	3,245

4 Other grants and contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grants and contracts	273	273	146	146
Coronavirus Job Retention Scheme Grant	180	113	-	-
Total	453	386	146	146

The corporation furloughed some of the Catering, Facilities Management, Admin Support and Learning Support Assistants staff, and all of the Nursery, Sports Barn and Reprographics staff under the government's Coronavirus Job Retention Scheme. The funding received of £180,169 relates to staff costs which are included within the staff costs note below as appropriate.

Stoke on Trent College
Notes to the Accounts (continued)

5 Other income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	300	300	431	431
Other income generating activities	10	10	17	17
Examination and registration fees	1	1	7	7
Miscellaneous sales	36	36	57	57
Fees and charges	-	-	-	-
Student contributions	18	18	27	27
Other income	259	259	256	256
	624	624	795	795
Total				

6 Investment income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Distribution from subsidiary	-	139	-	129
Other interest receivable	-	-	-	-
	-	139	-	129
Net return on pension scheme (note 23)		-		-
	-	139	-	129

Stoke on Trent College
Notes to the Accounts (continued)

7 Staff costs - Group and College

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

	2020 No.	2019 No. Restated - change from FTE in prior year
Teaching staff	157	179
Non teaching staff	302	355
	459	534

Staff costs for the above persons

	2020 £'000	2019 £'000
Wages and salaries	9,304	10,624
Social security costs	787	890
Other pension costs (including FRS102 adjustment of £219,000; 2019:£403,000)	2,242	2,299
Payroll sub total	12,333	13,813
Contracted out staffing services	150	337
	12,483	14,150
Fundamental restructuring costs - Contractual	229	591
Non Contractual		
Total Staff costs	12,712	14,741

The corporation does not have any salary sacrifice arrangements in place.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team which during 2020 was comprised of the Principal & Chief Executive, Deputy Principal & Deputy CEO, Chief Financial Officer and Commercial Managing 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

	2020 No.	2019 No.
The number of Key Management Personnel including the Accounting Officer was:	4	4

The number of Key Management Personnel and other staff who received annual emoluments, excluding pension contributions and employers national insurance but including benefits in kind, in the following ranges was:

	Key Management personnel		Other staff	
	2020 No.	2019 No. Restated*	2020 No.	2019 No.
£65,001 to £70,000	1	-	-	-
£85,001 to £90,000	-	3	-	-
£95,001 to £100,00	-	-	-	-
£100,001 to £105,000	1	-	-	-
£150,001 to £155,000	-	1	-	-
£155,001 to £160,000	1	-	-	-
	3	4	-	-

The reduction in Key Management Personnel is due to the departure of the Vice Principal Finance & Facilities on 30th November 2019.

*Restated to reflect the Key Management Personnel leaving in year

Stoke on Trent College
Notes to the Accounts (continued)

7 Staff costs - Group and College (continued)

Key management personnel compensation is made up as follows:

	2020 £'000	2019 £'000
Basic salary	344	452
Employers National Insurance contributions	47	57
Benefits in kind	-	-
	<u>391</u>	<u>509</u>
Pension contributions	40	22
	<u>431</u>	<u>531</u>
Total key management personnel compensation		

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

	2020 £'000	2019 £'000
Basic salary	159	154
Benefits in kind	-	-
	<u>159</u>	<u>154</u>
Pension contributions	-	-

The governing body 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 Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Principal and Chief Executive reports to the Chair of Governing Council, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

The governing body adopted AoC's Senior Staff Remuneration Code in July 2019 and assesses pay in line with its principles. The remuneration package of key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance. The remuneration committee assesses the corporation's performance against KPIs and the attainment of students in the year, as well as the progress against the college's long term strategic objectives when reviewing the remuneration package of the key management personnel, including the Principal and Chief Executive. Qualitative measures of success, such as level of engagement of the staff and students are also considered. The level of pay is benchmarked against the pay of similar colleges in the prior financial year, taken from their financial statements, and the general trend within the sector is also considered. In 2020, the corporation exceeded its Key Performance Indicator targets for staff satisfaction, student numbers and student achievement. The group made a deficit in the year and the benchmarking tool showed a levelling off of principal pay in the sector as a whole, and therefore only an inflationary increase was awarded.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

	2020 £'000	2019 £'000
Principal's basic salary as a multiple of the median of all staff	6.0	6.5
Principal and CEO's total remuneration as a multiple of the median of all staff	5.5	6.1

Compensation for loss of office paid to former key management personnel

	2020 £'000	2019 £'000
Compensation paid to former post-holder - contractual	49	20
Estimated value of other benefits, including provisions for pension benefits	-	-

The severance payments were approved by the College's Governing Body.

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

The total expenses paid to or on behalf of the Governors during the year was £2,266; 5 Governors (2019: £2,333; 4 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and conferences in their official capacity.

The Accounting Officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the corporation did not receive any payments from the College in respect of their roles as governors.

Stoke on Trent College
Notes to the Accounts (continued)

8 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Teaching costs	405	405	569	569
Non teaching costs	3299	3431	5448	5567
Premises costs	1483	1483	1348	1348
Total	5,187	5,319	7,365	7,484

Other operating expenses include:

	2020 £'000	2019 £'000
Auditors' remuneration:		
Financial statements audit	37	38
Internal audit fees	14	16
Other Services provided by the financial statements auditor - Teachers Pension Audit	2	2
Other Services provided by the financial statements auditor - VAT review	4	0
Other Services provided by the financial statements auditor - RFG certificate	2	0
Other Services provided by the financial statements auditor - Tax computation	2	0
Other Services provided by the internal auditors - Funding Audit Assurance	9	6
Hire of assets under operating leases	27	67

9 Interest and other finance costs - Group and College

	2020 £'000	2019 £'000
On bank loans, overdrafts and other loans:	164	245
Loan breakage costs	-	1,759
	164	2,004
EPP	53	69
Net interest on defined pension liability (note 23)	339	321
Total	556	2,394

10 Taxation - Group only

	2020 £'000	2019 £'000
United Kingdom corporation tax at 19% (2019 19%)	-	-
Total	-	-

The members do not believe that the College was liable for any corporation tax arising out of its activities during either year. The tax charge above relates to its trading subsidiary companies.

11 Tangible fixed assets - Group and College

	Land and buildings £'000	Equipment Restated £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 August 2019	63,171	9,666	985	73,822
Additions	264	1,132	-	1,396
Transfers	1,002	(17)	(985)	-
Disposals	-	-	-	-
At 31 July 2020	64,437	10,781	-	75,218
Depreciation				
At 1 August 2019	14,786	6,129	-	20,915
Charge for the year	1,339	856	-	2,195
Elimination in respect of disposals	-	-	-	-
At 31 July 2020	16,125	6,985	-	23,110
Net book value at 31 July 2020	48,312	3,796	-	52,108
Net book value at 31 July 2019	48,385	3,537	985	52,907

Stoke on Trent College
Notes to the Accounts (continued)

12 Non current Investments

	College 2020 £	College 2019 £
Investments in subsidiary companies	100	100
Total	100	100

The College owns 100 per cent of the issued ordinary £1 shares of Education Business Services (Stoke) Limited, a company incorporated in England and Wales. The principal business activity of the company is the supply staff to the College.

Real apprentices Ltd and Stoke on Trent college Ltd are dormant.

13 Trade and other receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	429	429	831	831
Amounts owed by subsidiary		53	-	10
Prepayments and accrued income	690	647	462	462
Amounts owed by the ESFA	152	152	218	218
Total	1,271	1,281	1,510	1,520

14 Creditors: amounts falling due within one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans and overdrafts	141	141	135	135
Trade payables	17	17	222	222
Other creditors	384	381	399	399
Other taxation and social security	415	384	433	396
Accruals and deferred income	1,141	1,138	1,564	1,564
Deferred income - government capital grants	1,194	1,194	1,175	1,175
Amounts owed to ESFA	51	51	206	206
Total	3,343	3,306	4,134	4,097

15 Creditors: amounts falling due after one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans and overdrafts	2,724	2,724	2,865	2,865
Restructuring Fund Loan	500	500	500	500
Amounts owed to ESFA	989	989		
Deferred income - government capital grants	30,395	30,395	31,658	31,658
Total	34,608	34,608	35,023	35,023

Stoke on Trent College
Notes to the Accounts (continued)

16 Maturity of debt

(a) Bank / BIS loans and overdrafts

Loans and overdrafts are repayable as follows:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	141	141	135	135
Between one and two years	205	205	197	197
Between two and five years	888	888	803	803
In five years or more	2,131	2,131	2,365	2,365
Total	<u>3,365</u>	<u>3,365</u>	<u>3,500</u>	<u>3,500</u>

As at 31 July 2020, reflecting the Restructuring Fund deal, which included a reduction in the College's total borrowings, the College had two loan facilities: a £3.0m secured loan with Lloyds Bank at 5.29%, repayable over 16.5 years by quarterly instalments falling due between July 2018 and October 2035 and a £0.5m secured loan at the Public Works Loan Board (PWLB) Standard Rate of interest, repayable over 9 years by quarterly instalments falling due between October 2021 and July 2030. The Lloyds Bank loan is secured by 1st legal charge on freehold property.

17 Provisions

	Restructuring	Group and College		Total
		Enhanced Pensions	Defined benefit Obligation	
	£'000	£'000	£'000	£'000
At 1 August 2019	76	2,628	16,032	18,736
Expenditure in the period	(45)	(214)	559	300
Transferred from income and expenditure account	-	262	6,021	6,283
At 31 July 2020	<u>31</u>	<u>2,676</u>	<u>22,612</u>	<u>25,319</u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 23.

The restructuring provision relates to the actuarial costs arising from prior-year redundancy programmes.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date.

The principal assumptions for this calculation are:

	2020	2019
Discount rate	1.30%	2.00%
Inflation Rate	2.20%	2.20%

Stoke on Trent College
Notes to the Accounts (continued)

18 Cash and cash equivalents

	At 1 August 2019 £'000	Cash flows £'000	Other changes £'000	At 31 July 2020 £'000
Cash and cash equivalents	3,538	(876)	-	2,662
Bank Loans	-	-	-	-
Finance Leases	-	-	-	-
Current asset investments	-	-	-	-
Total	3,538	(876)	-	2,662

19 Capital commitments

	Group and College	
	2020 £'000	2019 £'000
Commitments contracted for at 31 July	16	1,099

20 Lease Obligations

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

	Group and College	
	2020 £'000	2019 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	14	14
Later than one year and not later than five years	-	-
later than five years	-	-
	<u>14</u>	<u>14</u>
Other		
Not later than one year	13	40
Later than one year and not later than five years	-	13
later than five years	-	-
	<u>13</u>	<u>53</u>
Total lease payments due	<u>27</u>	<u>67</u>

21 Contingent liabilities

Of the Restructuring Facility Grant, £17.5m, included in the College's income for 2018/19, £8m is a recoverable finance performance related grant. The grant conditions state that these funds are recoverable from disposal proceeds and excess cashflow. £1,010,000 has been included in creditors to reflect this. This condition of funding will remain in place until 31st July 2030.

22 Events after the reporting period

There are no events after the reporting period.

Stoke on Trent College
Notes to the Accounts (continued)

23 Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2016.

Total pension cost for the year	2020 £'000	2019 £'000
Teachers Pension Scheme: contributions paid	820	619
Local Government Pension Scheme:		
Contributions paid	952	1,103
FRS 102 (28) charge	219	403
Charge to the Statement of Comprehensive Income	1,171	1,506
Enhanced pension charge to Statement of Comprehensive Income	209	143
Scottish Widows: contributions paid	42	31
Total Pension Cost for Year within staff costs	2,242	2,299

Contributions amounting to £167,299 (2019 NIL) were payable to the scheme at 31 July and are included within 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, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

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

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

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

Valuation of the Teachers' Pension Scheme

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 in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 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 £819,500 (2019: £618,692)

Stoke on Trent College
Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Staffordshire County Council. The total contribution made for the year ended 31 July 2020 were £1,134,226, of which employer's contributions totalled £951,700 and employees' contributions totalled £182,526. The agreed contribution rates for future years are 24.9% (primary) and £119k (secondary) for the College and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2020 by Hymans Robertson LLP.

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	2.60%	2.80%
Future pensions increases	2.20%	2.40%
Discount rate for scheme liabilities	1.40%	2.10%
Inflation assumption (CPI)	2.20%	2.40%
Commutation of pensions to lump sums	50.00%	50.00%

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 2020	At 31 July 2019
	years	years
<i>Retiring today</i>		
Males	21.20	21.10
Females	23.60	23.50
<i>Retiring in 20 years</i>		
Males	22.10	22.20
Females	25.00	24.80

Stoke on Trent College
Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

The College's share of the assets in the plan and the expected rates of return were:

	Fair Value at 31 July 2020 £'000	Fair Value at 31 July 2019 £'000
Equities	36,115	40,898
Bonds	12,224	11,854
Property	5,001	4,742
Cash	2,222	1,778
Total market value of assets	55,562	59,272
Actual return on plan assets	(3,354)	4,725

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

	2020 £'000	2019 £'000
Fair value of plan assets	55,562	59,272
Present value of plan liabilities	(77,926)	(75,046)
Present value of unfunded liabilities	(248)	(258)
Net pensions liability (Note 17)	(22,612)	(16,032)

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	1,291	1,356
Past service cost	(51)	203
Total	1,240	1,559

Amounts included in investment income

Net interest income	(340)	(321)
	(340)	(321)

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	(4,598)	3,200
Experience losses arising on defined benefit obligations	6,779	(10)
Changes in assumptions underlying the present value of plan liabilities	(8,202)	(7,240)
Amount recognised in Other Comprehensive Income	(6,021)	(4,050)

Stoke on Trent College
Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2020	2019
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(16,032)	(11,258)
Movement in year:		
Current service cost	(1,291)	(1,356)
Employer contributions	1,021	1,156
Past service cost	51	(203)
Net interest on the defined (liability)/asset	(340)	(321)
Actuarial gain or loss	(6,021)	(4,050)
Net defined benefit liability at 31 July	<u>(22,612)</u>	<u>(16,032)</u>

Asset and Liability Reconciliation

	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	75,304	65,741
Current Service cost	1,291	1,356
Interest cost	1,584	1,846
Contributions by Scheme participants	182	222
Experience gains and losses on defined benefit obligations	(6,779)	10
Changes in financial assumptions	8,202	7,240
Estimated benefits paid	(1,559)	(1,314)
Past Service cost	(51)	203
Defined benefit obligations at end of period	<u>78,174</u>	<u>75,304</u>

Reconciliation of Assets

Fair value of plan assets at start of period	59,272	54,483
Interest on plan assets	1,244	1,525
Return on plan assets	(4,598)	3,200
Employer contributions	1,021	1,156
Contributions by Scheme participants	182	222
Estimated benefits paid	(1,559)	(1,314)
Fair value of plan assets at end of period	<u>55,562</u>	<u>59,272</u>

These accounts show a past service cost of £230m in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 2% of the total scheme liability as at 31 July 2020. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earnings assumptions
- the withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pa increase would increase the estimated cost by 65%.

Stoke on Trent College
Notes to the Accounts (continued)

24 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £2,266; 5 Governors (2019: £2,333; 4 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and conferences in their official capacity.

The College established Education Business Support Services (Stoke) Ltd during 2015/16, a company limited by guarantee to support the provision of support staff to the college. At 31 July, the balances owed to the College were £53k (2019:£10k.)

The College also has two further companies 'Stoke on Trent College Ltd' and 'Real Apprentices Ltd', both remained dormant throughout the year.

Remuneration for key management personnel is disclosed in note 7

25 Amounts disbursed as agent

	2020 £'000	2019 £'000
16-18 Bursary grants	318	225
Other Funding body grants	193	220
	511	445
Disbursed to students	(497)	(428)
Administration costs	(14)	(17)
Balance unspent as at July, included in creditors	-	-

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