



Financial Statements
for the year ended 31 July 2019

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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 16-18.

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

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Report of the Governing Body

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 2019.

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

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
- 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.

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

	2018/19	2017/18
Cash days in hand (expenditure basis)	54.82	30.45
Staff costs as a percentage of income (excl. franchised income)	64.73%	68.61%
Borrowing as a percentage of cash income	16.01%	81.16%
EBITDA	(1.32)%	(0.34)%
Adjusted Current ratio	1.72	0.19

Resources

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

The College employs 404 people (expressed as full time equivalents), of whom 126 are teaching staff (2017/18 451 staff).

In 2018/19 the College has delivered activity that has produced £15.9m (2017/18 £15.4m) 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 £3.5m employed in the delivery of teaching and learning. The College has £65k of net assets (after taking account of the £16.032m defined pension benefit liability and £32.8m deferred capital grants)

Stakeholders

The College has many stakeholders including:

- Students;
- Sector funding body;
- Provider Management Oversight;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices and Agencies;
- The local community;
- Other FE institutions;
- Its Bank;
- Trade unions;
- Professional bodies

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

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Current and Future Development and Performance

Financial Results

The inclusion of FRS102 (pension), one-off property strategy, 'Fresh Start' costs and the agreed Restructuring Fund deal have a significant impact on the presentation of the accounts. The table below shows the financial outturn position excluding FRS102 charges and other exceptional items.

	2019	2018
	£'000	£'000
Surplus/(Deficit) before other gains / losses	13,509	(3059)
Exclude Restructuring Fund Grant income	(17,462)	-
Exclude Loan Break costs	1,759	-
Exclude pension accounting adjustments	867	1,341
Exclude exceptional restructuring costs	591	213
Exclude exceptional property costs	-	200
Exclude Annual leave accrual	23	(20)
Professional fees associated with 'Fresh Start'	-	352
VAT Refund	-	-
Underlying Operating (Deficit)/Surplus	(713)	(973)

The College's 2018/19 Financial Health Grade is 'Requires Improvement'. Financial performance is measured at one level 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 2018/19 financial year, EBITDA was at a level of -1.32% (2017/18 -0.34%).

The College has accounted for 100% of its 16-18 funding as there is no reconciliation process and 101.45% of its total Adult Funding allocation.

The actuarial review at 31 July 2019 of the Staffordshire County Council Pension Fund has seen a decrease in the net discount rate over this period to 2.1% 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 £11.2m at 31 July 2018 to £16.0m at 31 July 2019.

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 improve from £9.4m net liabilities in 2017/18 to £65k net assets in 2018/19.

Cash Flows and liquidity

The College has been cash positive throughout the financial year and at 31 July 2019 had consolidated cash balances at bank and in-hand of £3,538k (2018: £1,836k). The net cashflow resulted from the receipt of the Restructuring Fund Grant, used to repay the majority of the outstanding Bank loans.

At 31 July 2019 total bank loans and Restructuring Fund Loan outstanding amounted to £3.5m (2018: £17.691m). The College also maintained a small overdraft facility which was not required in-year. Further details are provided in Notes 14, 15 and 16.

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 £1,775k. This was split between land & buildings £89k, equipment purchases £701k and assets in the course of construction £985k.

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 2018/19, the surplus generated by EBS Limited was £129k. Real Apprentices Limited and Stoke on Trent College Limited are both dormant.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations. During the accounting period 1 August 2018 to 31 July 2019, the College paid 96.4 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Student achievements

Overall achievement increased to 86.9% when compared to 2017/18 (84.6%) demonstrating a strong learner outcome improvement trend over the last 3 years with a 4.6% improvement since 2016/17. The College's overall achievement is now ahead of the national rate of 85.9%. However, whilst achievement rates for young learners increased by 0.8% this provision remains below national rates by 4.5%. This is primarily due to poor achievement rates in functional skills. Achievement rates for adults at 90.4% are very good and above the national rate by 1.4% points. Adult high grade achievement rates in GCSE English and maths are also good and above national rates as are adult Functional Skills pass rates at 73%, which is 7.2% above national rates.

Overall achievement (all ages) for apprenticeships was 72.3% (2017/18: 71.7%), with timely achievement (all ages) at 65.4% compared to 61.4% in 2017/18. Some of the previous year's poor achievement for young people was addressed with an overall achievement rate for 16-18 apprenticeships of 65.2% (2017/18: 62.9%) with timely achievement at 61.6% compared to 52.2% in 2017/18. Timely achievement rates for young people are now above national rates by 1.4% although overall 16-18 apprenticeship achievement rates are lower than the national rate by 3%.

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

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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:

- 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 the phased introduction of 'T' levels, 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 between February and 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. Until the introduction of 'T' qualifications, these pathways have a range of qualifications to suit the differing

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aspirations of securing employment. This pathway is to be called 'into work' or moving on to further study, called 'into further study'. All learners aged 16-19 undertake maths and English in Functional Skills, GCSE 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, 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

The College delivers a wide range of Apprenticeships, and in 2018/19 there were 800 learners in apprenticeships. Engineering has the highest number of apprentices followed by Health & Social Care and Business Administration.

The College is working with a number of partners to ensure we meet employer and LEP needs. In addition, we have identified skills shortages in the IT sector and we have worked with partners to develop bespoke programmes to meet the area's needs. For example, we have worked with a large Levy-paying organisation to develop their engineering academy; supported another to develop their new warehouse hub and work with BT in the delivery of level 3 Engineering and foundation degrees

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in Electrical/Electronic Engineering. The College has also worked in partnership with the local authority and internal partners to develop the Heat Academy, a training partnership for the installation of the local District Heat Network.

The College has clearly recognised that it will need 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 us, 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 we can continue to develop our Curriculum and Apprenticeship offer 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 103 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.
- Applied to the Office for Students for direct HE numbers

Support for Learners

The support provided for learners sits within the Directorate of Adults, HE and Curriculum Support. 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 welfare. 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:

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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 Staying Safe, Get Active Be Positive and Healthy College week. In addition, there are a range of e-tutorials that learners can access including Safeguarding and Prevent, Healthy Minds, Work Experience, Study Skills and Bullying.

The enrichment programme offers a wide range of sporting and non-sporting activities across both campuses such as football, basketball, tennis, driving theory test, cookery club as well as the opportunity for learners to take part in a range of Challenge programmes.

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 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 CV/Interview tutorials and in addition are responsible for UCAS applications for level 3 learners. The College has a Careers in 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. An example of this is when an apprentice is on day release from College, we can send in an able replacement for that day. This method means that the employer does not lose a member of staff for a day and more than one student can benefit from the work placement.

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

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The manager of this team works closely with local authorities in ensuring 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 Teams play 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 LSA, CSW or mentor support are robustly tracked and monitored.

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.

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 £3.5m employed in the delivery of teaching and learning.

Financial resources

The College has £65k of net assets (after taking account of the £16.03m defined pension benefit liability and £32.8m deferred capital grants) and long term debt of £35m.

People

The College employs 404 people (expressed as full-time equivalents), of whom 126 are teaching staff (2017/18: 451 staff).

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.

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Major Estates developments

During 2018/19 there was investment in the resurfacing of 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 2018/19, 81% of the College's revenue was ultimately public funded (2017/18 80%) and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at 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

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

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:

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- 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.

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.

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

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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 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)	11
Total pay bill (£000)	13,813
Percentage of total bill spent on facility time	0.08%

Time spent on paid trade union activities as a percentage of total paid facility time	15.42%
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Stoke on Trent College
Financial Statements for the year ending 31 July 2019

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



12 December 2019

Stoke on Trent College
Financial Statements for the year ending 31 July 2019

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 2018 to the 31 July 2019 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 2019. 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 33%	01.10.18	4 Years 1 st Term		External	Audit 25%
BOUGHEY, David (Vice Chair) 83%	08.09.17	4 Years 1 st Term		External	Transformation, Finance and Resources (Chair) 100%
BROWN, Denise 100%	17.07.17	Contractual Term		Principal and CEO	Transformation, Finance and Resources 100% Curriculum, Quality and Standards 82% Governance 100%
CARTWRIGHT, Jeremy (Chair) 92%	08.09.17	4 Years 1 st Term		External	Transformation, Finance & Resources 85%

Stoke on Trent College
Financial Statements for the year ending 31 July 2019

					Governance 100%
FISHER, Rob 67%	01.10.18	4 Years 1 st Term		External	Audit 75% Curriculum, Quality & Standards 25% Governance 100%
HOPLEY, Dave 100%	23.10.15 Re-appoint 23.10.19	4 Years 1 st Term 4 Years 2 nd Term		Staff	None
JONES, Martin 42%	10.02.17	4 Years 1 st Term		External	Audit (Chair) 80%
MCLEARY, Karen 0%	10.03.17	4 Years 1 st Term	31.08.18	Staff	Curriculum, Quality and Standards 0%
MOUNTNEY, Jo 44%	01.10.18	4 Years 1 st Term		External	Curriculum, Quality and Standards 100%
NAGI, Pritpal Singh 75%	06.12.13	4 Years 1 st Term 4 Years 2 nd Term		External	Audit 0%
OBADA, Julie 75%	10.02.17	4 Years 1 st Term		External	Audit 100% Curriculum, Quality & Standards 50%
RICHARDS, Paul 57%	14.05.10	4 Years 1 st Term 4 Years 2 nd Term, (plus 1 year LSC/SFA Nominee)	21.12.18	External	Transformation, Finance and Resources 75%
SAWBRIDGE, Stephen 83%	12.05.17	4 Years 1 st Term		External	Curriculum, Quality and Standards (Chair) 100% Governance 100% Audit 80%
TALBOT, Stephanie 78%	01.10.18	4 Years 1 st Term		External	Curriculum, Quality and Standards 57% Transformation, Finance & Resources 67%

Stoke on Trent College
Financial Statements for the year ending 31 July 2019

TOWNSHEND, Kate 0%	19.10.12	4 Years 1 st Term	31.08.18	Independent	Curriculum, Quality and Standards (Chair) 100%
VAUGHAN, Rosemary 0%	17.12.10	4 Years 1 st Term 4 Years 2 nd Term	31.08.18	External	None
VEALE, Adrian 50%	21.10.11	4 Years 1 st Term 4 Years 2 nd Term	30.09.18	External	None
AMIN, Sibgha	05.11.19	4 Years 1 st Term		Independent	None

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 100%

Student Governors	Date appointed	Term of office	Date of Resignation	Status of Appointment	Committees
SADULA, Antoni 60%	09.11.18	1 Year 2018/19	Term ends 31.07.19	Student	None
TYLICKI, Aleksander 50%	30.11.18	1 Year 2018/19	Term ends 31.07.19	Student	None
ZDYB, Patrycja 43%	15.12.17, reappointed 31.07.18	1 Year 2017/18; 1 Year 2018/19	Term ends 31.07.19	Student	None 2017/18 Curriculum, Quality and Standards 2018/19 33%
FLETCHER, Georgia	18.09.19	1 Year 2019/20	Term ends 31.07.20	Student	None
BUCCHERI, Rhiannon	05.11.19	1 Year 2019/20	Term ends 31.07.20	Student	None
HAZLEDINE, Donna	12.12.19	1 Year 2019/20	Term ends 31.07.20	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 approximately 10 times during the year.

Stoke on Trent College

Financial Statements for the year ending 31 July 2019

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

The Corporation also established a Governance Committee in June 2019.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Curriculum, Quality and Standards, Transformation, Finance and Resources, Audit and Governance. 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. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk 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 in a timely manner, 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. As noted below, the Corporation has a governance committee, consisting of four members of the Corporation, which is responsible for the 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 4 members of the Corporation (excluding the Accounting Officer and Chair) The Committee operates in accordance with written terms of reference approved by the Corporation.

Stoke on Trent College

Financial Statements for the year ending 31 July 2019

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.

Transformation, Finance & Resources Committee

In 2018/19, the Board approved the creation of the Transformation, Finance & Resources Committee. This was an amalgamation/consolidation of the activities previously undertaken by the Transition Steering Group (established to support the Board through the Transaction Unit application process) and the Finance and Resources Committee. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Transformation, Finance & Resources Committee meets on a monthly basis 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 5, with 4 members being governors and one external Committee Co-optee who is a qualified/practicing accountant.

Curriculum, Quality & Standards Committee

In 2018/19, 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.

Meetings took place on monthly basis and matters considered were scheduled to an agreed work plan.

Membership of the Committee consisted of 5 Governors. This has been added to with the recruitment of a further governor with FE/Education sector experience in September 2019. For 2019/20, membership will be 6.

Governance Committee

This is a newly established Committee, which had its first meeting in June 2019. The Committee operates in accordance with written terms of reference approved by the Corporation. The Committee will support the Board in relation to governor recruitment and monitoring of existing governance arrangements/performance. The Committee will also support the Board in terms of senior post holder performance reviews and objective setting. No specific determination has been made on the frequency of meetings, with the Committee agreeing to convene as and when required.

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.

Stoke on Trent College

Financial Statements for the year ending 31 July 2019

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 designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The 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 2019 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.

Stoke on Trent College
Financial Statements for the year ending 31 July 2019

Review of effectiveness

As Accounting Officer, the Principal 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 senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The 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 12 December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

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 Restructuring Fund deal included funds to reduce the level of College borrowings. The College now has £3m 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. Accordingly, the Corporation considers that it is appropriate for the College to continue to adopt the going concern basis in preparing the financial statements.

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



Jeremy Cartwright
Chair



Denise Brown
Principal and Chief Executive

12 December 2019

Stoke on Trent College
Financial Statements for the year ending 31 July 2019

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.

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



Denise Brown
Principal and Chief Executive

12 December 2019

Stoke on Trent College
Financial Statements for the year ending 31 July 2019

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the grant funding agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice which give a true and fair view of the state of affairs of the group and the parent College and its 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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

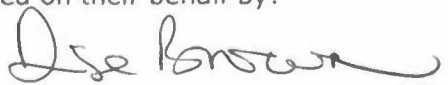
The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group and College and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011 and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard the assets of the group or to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Stoke on Trent College website is the responsibility of the Corporation; 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 expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing the economical, efficient and effective management of the group and parent College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

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


Jeremy Cartwright - Chair


12 December 2019

Stoke on Trent College
Financial Statements for the year ending 31 July 2019

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

Opinion

We have audited the financial statements of The City of Stoke on Trent College (the "College") and its subsidiary (the "Group") for the year ended 31 July 2019 which comprise the consolidated and College statement of comprehensive income, the consolidated and College balance sheets, the consolidated and College statements of changes in reserves, the consolidated/college 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 2019 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 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.

Stoke on Trent College

Financial Statements for the year ending 31 July 2019

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 2018 to 2019 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 24, 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 intends to liquidate the Group or the College or to cease operations, or has 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 June 2019. 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

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

19.12.19

Stoke on Trent College
Consolidated Statements of Comprehensive Income and Expenditure
for the year ended 31 July 2019

	Notes	Year ended 31 July		Year ended 31 July	
		2019	2019	2018	2018
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2				
- recurring funding body grants		18,404		18,335	
- non recurring restructuring facility grant		<u>17,462</u>		-	
		35,866	35,866	18,335	18,335
Tuition fees and education contracts	3	3,245	3,245	3,560	3,560
Other grants and contracts	4	146	146	-	-
Other income	5	795	795	1,152	1,284
Endowment and investment income	6	-	129	-	-
Total income		40,052	40,181	23,047	23,179
EXPENDITURE					
Staff costs	7	14,741	14,751	15,369	15,369
Other operating expenses	8	7,365	7,484	7,550	7,681
Depreciation	11	2,043	2,043	1,977	1,977
Impairment		-	-	-	-
Interest and other finance costs	9				
- Interest		635		1,210	
- Loan breakage costs		<u>1,759</u>		-	
		2,394	2,394	1,210	1,210
Total expenditure		26,543	26,672	26,106	26,237
Surplus/(deficit) before other gains and losses		13,509	13,509	(3,059)	(3,058)
Gain/(loss) on disposal of assets	11	-	-	-	-
Surplus/(deficit) before tax		13,509	13,509	(3,059)	(3,058)
Taxation	10	-	-	-	-
Surplus/(deficit) for the year		13,509	13,509	(3,059)	(3,058)
Actuarial (loss)/gain in respect of pensions schemes		(4,050)	(4,050)	6,087	6,087
Total Comprehensive Income for the year		9,459	9,459	3,028	3,029
Represented by:					
Unrestricted comprehensive income		9,459	9,459	3,028	3,028
Restricted comprehensive income		-	-	-	-
		<u>9,459</u>	<u>9,459</u>	<u>3,028</u>	<u>3,028</u>
Surplus for the year attributable to:					
Group		9,459	9,459	3,028	3,028
Total Comprehensive Income for the year attributable to:					
Group		<u>9,459</u>	<u>9,459</u>	<u>3,028</u>	<u>3,028</u>

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 2017	(17,278)	4,856	(12,422)
Deficit from the income and expenditure account	(3,059)	-	(3,059)
Other comprehensive income	6,087	-	6,087
Transfers between revaluation and income and expenditure reserves	125	(125)	-
Total comprehensive income for the year	3,153	(125)	3,028
Balance at 31st July 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)	0
Total comprehensive income for the year	9,584	(125)	9,459
Balance at 31st July 2019	(4,541)	4,606	65
College			
Balance at 1st August 2017	(17,278)	4,856	(12,422)
Deficit from the income and expenditure account	(3,059)	-	(3,059)
Other comprehensive income	6,087	-	6,087
Transfers between revaluation and income and expenditure reserves	125	(125)	-
Total comprehensive income for the year	3,153	(125)	3,028
Balance at 31st July 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)	0
Total comprehensive income for the year	9,584	(125)	9,459
Balance at 31st July 2019	(4,541)	4,606	65

Stoke on Trent College
Balance sheets as at 31 July 2019

	Notes	Group	College	Group	College
		2019	2019	2018	2018
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	11	52,907	52,907	53,175	53,175
Investments	12	-	-	-	-
		<u>52,907</u>	<u>52,907</u>	<u>53,175</u>	<u>53,175</u>
Current assets					
Stocks		3	3	9	9
Trade and other receivables	13	1,510	1,520	2,410	2,412
Cash and cash equivalents	18	3,538	3,491	1,836	1,797
		<u>5,051</u>	<u>5,014</u>	<u>4,255</u>	<u>4,218</u>
Creditors – amounts falling due within one year	14	(4,134)	(4,097)	(23,044)	(23,007)
Net current assets/(liabilities)		<u>917</u>	<u>917</u>	<u>(18,789)</u>	<u>(18,789)</u>
Total assets less current liabilities		<u>53,824</u>	<u>53,824</u>	<u>34,386</u>	<u>34,386</u>
Creditors – amounts falling due after more than one year	15	(35,023)	(35,023)	(29,761)	(29,761)
Provisions					
Defined benefit obligations	17	(16,032)	(16,032)	(11,258)	(11,258)
Other provisions	17	(2,704)	(2,704)	(2,761)	(2,761)
Total net assets/(liabilities)		<u>65</u>	<u>65</u>	<u>(9,394)</u>	<u>(9,394)</u>
Unrestricted reserves					
Income and expenditure account		(4,541)	(4,541)	(14,125)	(14,125)
Revaluation reserve		4,606	4,606	4,731	4,731
Total unrestricted reserves		<u>65</u>	<u>65</u>	<u>(9,394)</u>	<u>(9,394)</u>
Total reserves		<u>65</u>	<u>65</u>	<u>(9,394)</u>	<u>(9,394)</u>

The financial statements on pages 27-50 were approved and authorised for issue by the Corporation on 12th December 2019 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
for the year ended 31 July 2019

	Notes	2019 £'000	2018 £'000
Cash flow from operating activities			
Surplus/(deficit) for the year		13,509	(3,059)
Adjustment for non-cash items			
Depreciation		2,043	1,977
Decrease/(increase) in stocks		6	(3)
Decrease/(increase) in debtors		900	(668)
(Decrease)/increase in creditors due within one year		(1,186)	1,083
Increase/(decrease) in creditors due after one year		1,898	(1,109)
Decrease in provisions		(57)	(163)
Pensions costs less contributions payable		724	1,281
Adjustment for investing or financing activities			
Investment income		-	-
Interest payable		2,004	672
Gain on sale of fixed assets		-	-
		<u>19,841</u>	<u>11</u>
Net cash flow from operating activities		<u>19,841</u>	<u>11</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Investment income		-	-
Payments made to acquire fixed assets		(1,775)	(1,203)
		<u>(1,775)</u>	<u>(1,203)</u>
Cash flows from financing activities			
Interest paid		(2,004)	(672)
New unsecured loans		500	3,742
Repayments of amounts borrowed		(14,860)	(516)
		<u>(16,364)</u>	<u>2,554</u>
Increase in cash and cash equivalents in the year		<u>1,702</u>	<u>1,362</u>
Cash and cash equivalents at beginning of the year	18	1,836	474
Cash and cash equivalents at end of the year	18	3,538	1,836

Stoke on Trent College
Financial Statements for the year ending 31 July 2019

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 2. 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 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2018 to 2019 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 2015 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 Executives 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 being implemented. A financial notice of concern was issued by the Funding Agency on 20th October 2014.

Stoke on Trent College
Financial Statements for the year ending 31 July 2019

Going Concern (continued)

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. The principal 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 £17.462m has been recognised in the Statement of Comprehensive Income; the balance of £2.887m used to support Capital projects. 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 College does not consider that this part of the grant will be repayable in the foreseeable future. This condition of funding will remain in place until 31st July 2030.

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.

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

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult 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.

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.

Stoke on Trent College
Financial Statements for the year ending 31 July 2019

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. 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.

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 other 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.

Stoke on Trent College
Financial Statements for the year ending 31 July 2019

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 impairment 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.

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.

Stoke on Trent College
Financial Statements for the year ending 31 July 2019

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.

Stoke on Trent College
Financial Statements for the year ending 31 July 2019

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.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

Stoke on Trent College
Financial Statements for the year ending 31 July 2019

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, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 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 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Stoke on Trent College
Notes to the Accounts (continued)

2 Funding body grants

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	5,695	5,695	5,322	5,322
Education and Skills Funding Agency – 16 -18	8,125	8,125	8,469	8,469
Education and Skills Funding Agency - apprenticeships	2,100	2,100	1,650	1,650
Non Recurrent grants				
Education and Skills Funding Agency - Restructuring Facility	17,462	17,462	-	-
Specific Grants				
Education and Skills Funding Agency	1,309	1,309	1,852	1,852
Release of government capital grants	1,175	1,175	1,042	1,042
Total	35,866	35,866	18,335	18,335

3 Tuition fees and education contracts

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	1,008	1,008	1,057	1,057
Apprenticeship fees and contracts	68	68	241	241
Fees for FE loan supported courses	628	628	627	627
Fees for HE loan supported courses	455	455	255	255
Total tuition fees	2,159	2,159	2,180	2,180
Education contracts	1,086	1,086	1,380	1,380
Total	3,245	3,245	3,560	3,560

4 Other grants and contracts

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grants and contracts	146	146	-	-
Total	146	146	-	-

Stoke on Trent College
Notes to the Accounts (continued)

5 Other income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	431	431	479	479
Other income generating activities	17	17	17	17
Examination and registration fees	7	7	4	4
Miscellaneous sales	57	57	45	45
Fees and charges	-	-	367	367
Student contributions	27	27	14	14
Other income	256	256	226	358
	<u>795</u>	<u>795</u>	<u>1,152</u>	<u>1,284</u>

Total

6 Investment income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Distribution from subsidiary	-	129	-	-
Other interest receivable	-	-	-	-
	<u>-</u>	<u>129</u>	<u>-</u>	<u>-</u>
Net return on pension scheme (note 23)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>129</u>	<u>-</u>	<u>-</u>

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 full-time equivalents, was:

	2019 No.	2018 No. restated
Teaching staff	126	137
Non teaching staff	278	314
	<u>404</u>	<u>451</u>

Staff costs for the above persons

	2019 £'000	2018 £'000
Wages and salaries	10,624	11,064
Social security costs	890	916
Other pension costs (including FRS102 adjustment of £403,000; 2018:£839,000)	2,299	2,660
	<u>13,813</u>	<u>14,640</u>
Payroll sub total	337	516
Contracted out staffing services	<u>14,150</u>	<u>15,156</u>
Fundamental restructuring costs - Contractual	591	213
	<u>14,741</u>	<u>15,369</u>

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 2019 was comprised of the Principal & Chief Executive, Deputy Principal & Deputy CEO, Vice Principal Finance & Facilities, Interim Vice Principal Finance & Facilities, Interim Vice Principal Capital Projects

Emoluments of Key Management Personnel, Accounting Officer and other higher paid staff

	2019 No.	2018 No.
The number of Key Management Personnel including the Accounting Officer was:	5	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	
	2019 No.	2018 No.	2019 No.	2018 No.
£65,001 to £70,000	-	-	-	1
£70,001 to £75,000	-	-	-	-
£75,001 to £80,000	1	1	-	-
£80,001 to £85,000	-	1	-	-
£85,001 to £90,000	3	-	-	-
£90,001 to £95,000	-	-	-	-
£95,001 to £100,000	-	1	-	-
£100,001 to £105,000	1	1	-	-
£105,001 to £110,000	-	-	-	-
£110,001 to £115,000	-	-	-	-
£115,001 to £120,000	-	-	-	-
£120,001 to £125,000	-	-	-	-
£125,001 to £130,000	-	-	-	-
£130,001 to £135,000	-	-	-	-
£135,001 to £140,000	-	-	-	-
£140,001 to £145,000	-	-	-	-
£145,001 to £150,000	-	-	-	-
£150,001 to £155,000	-	-	-	-
	<u>5</u>	<u>4</u>	<u>-</u>	<u>1</u>

* This includes the pro-rate salary of the Vice Principal Finance & Facilities who left on 31st December 2018

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:

	2019 £'000	2018 £'000 restated
Basic salary	452	285
Benefits in kind	-	-
	<u>452</u>	<u>285</u>
Pension contributions	22	22
	<u>22</u>	<u>22</u>
Total key management personnel compensation	<u>474</u>	<u>307</u>

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:

	2019 £'000	2018 £'000 restated
Basic salary	154	151
Benefits in kind	-	-
	<u>154</u>	<u>151</u>
Pension contributions	-	-
	<u>-</u>	<u>-</u>

The amounts payable to the Principal and Chief Executive have been restated in 2017/2018 to correct the remuneration due to the Principal. The prior year figure was £145k for the Principal and Chief Executive's salary, including benefits in kind, restated above as £151k, and £179k for key management (now restated above as £285k.)

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.

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

	2019 £'000	2018 £'000
Principal's basic salary as a multiple of the median of all staff	6.5	6.0
Principal's total remuneration as a multiple of the median of all staff	6.1	5.8

Compensation for loss of office paid to former key management personnel

	2019 £'000	2018 £'000
Compensation paid to former post-holder - contractual	<u>20</u>	<u>-</u>

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.

Stoke on Trent College
Notes to the Accounts (continued)

8 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
Teaching costs	569	569	512	508
Non teaching costs	5448	5567	5,613	5,748
Premises costs	1348	1348	1,425	1,425
Total	7,365	7,484	7,550	7,681

Other operating expenses include:

	2019 £'000	2018 £'000
Auditors' remuneration:		
Financial statements audit	38	41
Internal audit	16	23
Other Services provided by the financial statements auditor - Teachers Pension Audit	2	
Other Services provided by the internal auditors - Funding Audit Assurance	6	
Hire of assets under operating leases	67	132

9 Interest and other finance costs - Group and College

	2019 £'000	2018 £'000
On bank loans, overdrafts and other loans:	245	672
Loan breakage costs	1,759	-
	<u>2,004</u>	<u>672</u>
Net interest on defined pension liability (note 23)	390	538
Total	2,394	1,210

10 Taxation - Group only

	2019 £'000	2018 £'000
United Kingdom corporation tax at 20% (2018 20%)	-	-
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 £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 August 2018	63,082	8,965	-	72,047
Additions	89	701	985	1,775
Disposals	-	-	-	-
At 31 July 2019	63,171	9,666	985	73,822
Depreciation				
At 1 August 2018	13,488	5,384	-	18,872
Charge for the year	1,298	745	-	2,043
Elimination in respect of disposals	-	-	-	-
At 31 July 2019	14,786	6,129	-	20,915
Net book value at 31 July 2019	48,385	3,537	985	52,907
Net book value at 31 July 2018	49,594	3,581	-	53,175

Stoke on Trent College
Notes to the Accounts (continued)

12 Non current investments

	College 2019 £	College 2018 £
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.

The College also wholly owns Real Apprentices Ltd and Stoke on Trent college Ltd, companies limited by guarantee, they are both dormant.

13 Trade and other receivables

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due within one year:				
Trade receivables	831	831	967	967
Amounts owed by subsidiary	-	10	-	2
Prepayments and accrued income	461	461	1,302	1,302
Amounts owed by the ESFA	218	218	141	141
Total	1,510	1,520	2,410	2,412

14 Creditors: amounts falling due within one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans and overdrafts	135	135	12,235	12,235
Restructuring Fund Loan	-	-	1,100	1,100
Trade payables	222	222	423	423
Other creditors	399	399	170	170
Other taxation and social security	433	396	661	624
Accruals and deferred income	1,564	1,564	2,803	2,803
Deferred income - government capital grants	1,175	1,175	1,110	1,110
Amounts owed to ESFA	206	206	4,525	4,525
Amounts received in advance from ESFA	-	-	17	17
Total	4,134	4,097	23,044	23,007

15 Creditors: amounts falling due after one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans and overdrafts	2,865	2,865	-	-
Restructuring Fund Loan	500	500	-	-
Deferred income - government capital grants	31,658	31,658	29,761	29,761
Total	35,023	35,023	29,761	29,761

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 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
In one year or less	135	135	17,691	17,691
Between one and two years	197	197	-	-
Between two and five years	803	803	-	-
In five years or more	2,365	2,365	-	-
Total	3,500	3,500	17,691	17,691

Since July 2014 the Lloyds Bank loan covenants had been breached and a formal waiver from the bank was in place. The College received a 'reservation of rights' letter from the bank in relation to the breaches. However, in accordance with the relevant Financial Reporting Standards, the College was deemed not to have an unconditional right to defer payment for more than 12 months at the balance sheet date. Three of the four loans as at September 2018 were repaid. As a consequence of this, the 2017/18 balance sheet was presented on the basis that all debt that could technically have become repayable was classified within current liabilities.

The Corporation entered into an amendment to the existing term loan facility entered into between the Corporation and Lloyds, dated 15 January 2010 as amended and restated on 27 September 2018 (the "Facility"), by approving an amendment deed amending the Projected Cashflow Cover Covenant (as defined in the Facility), to allow for the adding back of any costs incurred by the Corporation in relation to refurbishment works at the Caudon Campus in order to accommodate the 'Creative Industries' (Gaming Media and Arts) up to a maximum aggregate amount of £1,000,000, subject at all times to the approval of Lloyds.

As at 31 July 2019, 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

Group and College

	Restructuring £'000	Enhanced £'000	Defined £'000	Total £'000
At 1 August 2018	124	2,637	11,258	14,019
Expenditure in the period	(48)	(78)	724	598
Transferred from income and expenditure account	0	69	4,050	4,119
At 31 July 2019	76	2,628	16,032	18,736

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme.

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:

	2019	2018 restated
Price inflation	2.20%	2.20%
Interest rate	2.00%	2.60%

Stoke on Trent College
Notes to the Accounts (continued)

18 Cash and cash equivalents

	At 1 August 2018	Cash flows	Other changes	At 31 July 2019
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,836	1,702	-	3,538
Total	1,836	1,702	-	3,538

19 Capital commitments

	Group and College 2019 £'000	2018 £'000
Commitments contracted for at 31 July	1,099	70

20 Lease Obligations

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

	Group and College 2019 £'000	2018 £'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	-	85
later than five years	-	-
	<u>14</u>	<u>99</u>
Other		
Not later than one year	40	40
Later than one year and not later than five years	13	-
later than five years	-	-
	<u>53</u>	<u>40</u>
Total lease payments due	<u>67</u>	<u>139</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. The College does not consider that this part of the grant will be repayable in the foreseeable future. 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	2019 £'000	2018 £'000
Teachers Pension Scheme: contributions paid	619	704
Local Government Pension Scheme:		
Contributions paid	1,103	1,039
FRS 102 (28) charge	<u>403</u>	<u>839</u>
Charge to the Statement of Comprehensive Income	1,506	1,878
Enhanced pension charge to Statement of Comprehensive Income	143	58
Scottish Widows: contributions paid	31	20
Total Pension Cost for Year within staff costs	<u>2,299</u>	<u>2,660</u>

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

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 £618,692 (2018: £704,000)

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 2019 was £1,328,363, of which employer's contributions totalled £1,103,041 and employees' contributions totalled £225,322. The agreed contribution rates for future years are 21.0% (primary) and £396k (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 2018 by Hymans Robertson LLP.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	2.80%	2.80%
Future pensions increases	2.40%	2.40%
Discount rate for scheme liabilities	2.10%	2.80%
Inflation assumption (CPI)	2.40%	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 2019 years	At 31 July 2018 years
<i>Retiring today</i>		
Males	21.10	22.10
Females	23.50	24.40
<i>Retiring in 20 years</i>		
Males	22.20	24.10
Females	24.80	26.40

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 2019 £'000	Fair Value at 31 July 2018 £'000
Equities	40,898	38,138
Bonds	11,854	9,807
Property	4,742	4,359
Cash	1,778	2,179
Total market value of assets	<u>59,272</u>	<u>54,483</u>
Actual return on plan assets	<u>4,725</u>	<u>4,548</u>

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

	2019 £'000	2018 £'000
Fair value of plan assets	59,272	54,483
Present value of plan liabilities	(75,046)	(65,475)
Present value of unfunded liabilities	(258)	(266)
Net pensions liability (Note 17)	<u>(16,032)</u>	<u>(11,258)</u>

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	1,356	1,828
Past service cost	203	223
Total	<u>1,559</u>	<u>2,051</u>

Amounts included in investment income

Net interest income	(321)	(444)
	<u>(321)</u>	<u>(444)</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	3,200	3,204
Experience losses arising on defined benefit obligations	(10)	11
Changes in assumptions underlying the present value of plan liabilities	(7,240)	2,872
Amount recognised in Other Comprehensive Income	<u>(4,050)</u>	<u>6,087</u>

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

	2019	2018
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(11,258)	(16,062)
Movement in year:		
Current service cost	(1,356)	(1,828)
Employer contributions	1,156	1,212
Past service cost	(203)	(223)
Net interest on the defined (liability)/asset	(321)	(444)
Actuarial gain or loss	(4,050)	6,087
Net defined benefit liability at 31 July	<u>(16,032)</u>	<u>(11,258)</u>

Asset and Liability Reconciliation

	2019	2018
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	65,741	65,727
Current Service cost	1,356	1,828
Interest cost	1,846	1,788
Contributions by Scheme participants	222	308
Experience gains and losses on defined benefit obligations	10	(11)
Changes in financial assumptions	7,240	(2,872)
Estimated benefits paid	(1,314)	(1,250)
Past Service cost	203	223
Defined benefit obligations at end of period	<u>75,304</u>	<u>65,741</u>

Reconciliation of Assets

	2019	2018
	£'000	£'000
Fair value of plan assets at start of period	54,483	49,665
Interest on plan assets	1,525	1,344
Return on plan assets	3,200	3,204
Employer contributions	1,156	1,212
Contributions by Scheme participants	222	308
Estimated benefits paid	(1,314)	(1,250)
Fair value of plan assets at end of period	<u>59,272</u>	<u>54,483</u>

These accounts show a past service cost of £203k 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 March 2019. 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 earning 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 College has established Real Apprentices Ltd, a company limited by guarantee to support the provision of employment services to local industry.

At 31 July 2019 nothing (2018:nil) was owed to the College in respect of salaries. There were no other transactions between the College and the company.

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 £10k (2017:£2k.)

The College also has one further Company 'Stoke on Trent College Ltd' which remained dormant throughout the year.

25 Amounts disbursed as agent

	2019 £'000	2018 £'000
16-18 Bursary funds	225	236
Other Funding body grants	<u>220</u>	<u>116</u>
	445	352
Disbursed to students	(428)	(343)
Administration costs	(17)	(9)
	<u>-</u>	<u>-</u>

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

Stoke on Trent College
Financial Statements for the year ending 31 July 2019

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

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 3 June 2019 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency ("ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Stoke on Trent College ("the College") during the period 1 August 2018 to 31 July 2019 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 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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 the 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 the 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.

Stoke on Trent College
Financial Statements for the year ending 31 July 2019

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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 of the College 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

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19.12.19

