



Financial Statements
for the year ended 31 July 2018

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Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2018.

1 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 1993 as amended by the Charities Act 2011.

2 Vision and Objectives

The College's vision during the reporting period, as approved by its members, was:

"To provide young people and adults with the technical and personal skills they need to gain employment, to progress their careers and so to contribute to the City's economic, social and cultural development. Our successful students will help to create a flourishing city"

Public Benefit

Stoke on Trent College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 16-18.

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. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

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

Strategic Objectives 2015-2018

The College reviews its strategic objectives and associated targets on a regular basis. In respect of the years 2015-2018 these are:

- Work with employers and provide them with skilled new employees and support their existing workforce to improve their skills which results in tangible business benefits.
- Deliver outstanding teaching, learning and assessment which improves the quality of provision and learner outcomes and enables all learners to achieve their full potential.
- Plan, manage and deliver a range of learning opportunities based on the local and national economic and social context.
- Develop a College community that is a highly fulfilling place to study and work and is embedded in its core values.

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- Develop substantial commercial income to reduce Agency dependency and strengthen the College's financial health.
- Protect and manage the long-term financial health of the College.

Our Values

- **Ensure opportunities for all:** widen participation and access.
- **Teaching, learning and assessment:** at the heart of everything we do; our most important pursuit.
- **Commitment to excellence and continuous improvement:** high standards and expectations of students, ourselves and colleagues; challenging, honest and rigorous self-evaluation; seeking and sharing best practice; developing solution-orientated attitudes.
- **Respect and value individuals:** treat everyone with respect, dignity and courtesy; recognise everyone is unique; celebrate diversity; strive to meet individual needs; prioritise learners and promote a united staff culture.
- **Behave honestly and with integrity:** adopt an ethical and transparent approach to working with all users and stakeholders.

The Mission, Vision, Values and Strategic Objectives were the subject of a major review during the year and a new set of statements have been adopted for the period 2018-2021 to reflect the New Beginning for the College under the Fresh Start initiative.

3 Performance indicators

FE Choices (formerly the "Framework for Excellence") has four key performance indicators:

- Achievement rates
- Learner destinations
- Learner satisfaction
- Employer satisfaction

The College is committed to observing the importance of the sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The College is assessed by the ESFA as having an "Inadequate" financial health grading.

OFSTED

The College was last inspected in February 2018 and achieved an overall outcome of 'Requires Improvement'. The previous Inspection had been grade 3 (Requires Improvement).

4 Financial Objectives

During the reporting year the College's financial objectives were:

- Work to achieve a sound financial base (solvency and liquidity)
- Maintain financial management by producing management accounts each month, incorporating an income and expenditure account, balance sheet, 12-month rolling cash-flow forecast, capital expenditure, financial performance indicators, staffing information and funding information (including plans)
- Strengthening procedures for testing the desirability and affordability of any proposals which have a financial implication
- Undertake post-implementation review procedures to assess the success or otherwise of major investments or projects.
- Maintaining the confidence of funding bodies, banks, suppliers and professional advisers
- Raising awareness of financial issues

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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.

5 Financial Results

The inclusion of FRS102 (pension) one-off property strategy and 'Fresh Start' costs 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.

	2018	2017
	£000	£000
Deficit before other gains / losses	(3059)	(1,610)
Exclude pension accounting adjustments	1341	1,443
Exclude exceptional restructuring costs	213	586
Exclude exceptional property costs	200	(9)
Exclude Annual leave accrual	(20)	(54)
Professional fees associated with 'Fresh Start'	352	155
VAT Refund	0	(94)
Underlying Operating (Deficit)/Surplus	(973)	417

Financial performance is measured at one level using sector specific EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) as a percentage of cash income. For the 2017/18 financial year, EBITDA was at a level of -0.34%.

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

The actuarial review at 31 July 2018 of the Staffordshire County Council Pension Fund has seen an increase in the net discount rate over this period to 2.8%, and strong asset returns. In addition to this the fund 'remeasurements' have influenced the valuation. As a result, the Fund deficit attributable to the College has decreased from £16.1m at 31 July 2017 to £11.3m at 31 July 2018.

After the recognition of the total comprehensive income in the year, capital movements, and the impact of the reduced LGPS pension liability, the total balance sheet net liabilities reduced from £12.4m (2016/17) to £9.4m (2017/18).

Due to the College's weak financial position, a notice of Financial Concern was issued to the College in October 2014. The Corporation has taken full note of the Notice contents and has worked tirelessly to recover from the reported position. Following its issue, the College was the subject of a review by the FE Commissioner. His report is available on the 'BIS' website. The assessment made regarding Going Concern is set out on page 28. On the 26th October 2015, the College was formally removed from FE Commissioner Intervention. However, as the College is in receipt of a BIS loan, the notice remains in place.

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6 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 consistent with those risks.

The College has a separate treasury management policy in place. Wherever possible, positive cash balances are held in interest bearing accounts, the availability of which is 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.

7 Cash Flows

There was a net cash inflow from operating activities for the year of £11k. (2016/17 inflow £912K) After taking account of capital flows, the net debt position reduced from £13.4m (2017) to £11.5m (2018).

8 Liquidity

The College has been cash positive throughout the financial year and at 31 July 2018 had consolidated cash balances at bank and in-hand of £1,836k (2017: £474k).

At 31 July 2018 total bank loans and BIS loan outstanding amounted to £13.335m (2017: £13.854m). The College also maintained a small overdraft facility which was not required in-year. Further details are provided in Notes 14, 15 and 16. As set out in the notes, the College breached its bank covenants at 31 July 2018. As a result of this, the bank is currently able to request immediate repayment of its loans and they are therefore shown as short term liabilities in the balance sheet. However, the College does not anticipate this right will be exercised on the basis of recent discussions with the bank and the fact that it has been in a similar position since 2014, when the bank acknowledged the breaches but reserved their rights in relation to calling in the loans.

In September 2018 three of the four commercial bank loans and the BIS loan were repaid by way of restructuring funds from the Transaction Unit. Further information is provided within note 22.

9 Current and Future Development and Performance

Student numbers

In 2017/18 the College has delivered activity that has produced £15.4m (2016/17 £17.5m) in funding body main allocation funding. The decrease in income follows a reduction in the number of EFA funded learners, and a slow start to the new apprenticeship programme which mirrored the national position. The College had approximately 9,275 including ESF (7,245 excluding ESF) funded students in 2017/18 (2016/17: 8,430 including ESF, 7,544 excluding ESF).

Student achievements

Overall, retention in 2017/18 was 91.6%, which was an increase of 5.5% when compared to 2016/17 (86.1%). Overall achievement has also increased to 85.0% when compared to 2016/17 (82.8%); however, overall pass rates have reduced to 92.8% (2017/18: 96.1%). For 16-18 learners in 2017/18 retention was 87.0% (2016/17: 79.4%) which contributed to a 2.9% increase in achievement to 77.9% (2016/17: 75.0%). Of those learners retained, pass rates were reasonably high at 89.5% (2016/17: 94.5%) despite the 5% reduction. Retention for adult learners was 94% (2016/17: 89.8%) with a slight increase in achievement 88.8% (2016/17: 87%). However, pass rates decreased to 94.4% (2016/17: 96.9%).

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Overall achievement (all ages) for apprenticeships was 72.1% (2016/17: 66.9%), with timely achievement (all ages) at 63.2% compared to 56.8% in 2016/17. Overall achievement for 16-18 apprenticeships was 64.2% (2016/17: 66.8%) with timely achievement at 53.8% compared to 57.1% in 2016/17. Overall achievement for adult (19+) apprentices was 76.2% (2016/17: 67%) with a timely achievement for adult apprentices of 68.4% (2016/17: 56.7%).

Curriculum developments

In 2018, the College undertook a full review of the provision ensuring that the offer was driven by the College Strategic Plan. The College will be a key partner in delivering the LEP Strategic Plan for economic priorities and is therefore driven by the local and regional economic need. The resulting Curriculum Plan focuses on the College's core business with a "back to basics" approach with an assiduous emphasis on quality improvement. In order to achieve this the College will:

- 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 contemporary 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 grade 2 inspection outcome.
- Improve 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
- 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:

Following a full strategic review of the curriculum plan the offer is fit for purpose, meets the needs of local, regional and national priorities. This review included the following:

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- Full review of organisation structure with the appointment of 2 new Vice Principals for Curriculum and Quality and Finance and Resources.
- Full review of organisational structure at middle manager level with the introduction of a new team leader role.
- Full review of study programmes for 16-18 learners to deliver an efficient and effective offer utilising appropriate resources across the College.
- Further embedding of wider learning including employability skills, work experience, enrichment and enhancement to broaden the impact of the learner experience and enhance outcomes.
- Development of the revised Teaching, Learning and Assessment framework to improve the quality of delivery and ensure that all learners make progress against their qualification outcomes.
- Development of a target setting performance procedure to support retention and achievement forecasting.

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 aspirations of securing employment, this pathway 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 and will include
 - Level 3 Diploma, adult infill provision
 - Access to Higher Education courses
 - Higher technical and professional qualifications

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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 in receipt of Jobseekers Allowance, Employment Support Allowance or Universal Credit.

Apprenticeships

The College delivers a wide range of Apprenticeships, and in 2017/18 there were 473 starts on apprenticeships. At the end of 2017/18 there were 718 in learning with the large majority studying intermediate level apprenticeships. Engineering has the highest number of apprentices followed by Health & Social Care and Business Administration. In 17/18, there were 68 apprentices on the newly introduced apprenticeship standards. Currently we have 23% Levy paying companies and 77% Non-Levy. In terms of learner volumes, the split is 52% with Levy companies and 48% with Non Levy.

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 BT in delivery of level 3 Engineering and foundation degrees in Electrical/Electronic Engineering.

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. Since January 2018, 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 currently 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.

10 Support for Learners

The support provided for learners sits within the directorate of Learner Support Services and Foundation Learning. 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:

National Sexual Health Week	World Cancer Day
Breast Cancer Awareness	National Anti-Bullying
World Mental Health Day	National Heart Month
World Aids Day	National No Smoking Day
National Obesity Week	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, 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. 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.

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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 2,980 learners.

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

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

The 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 96 plans at the College of which approximately 48 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.

11 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.

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12 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 £3.6m employed in the delivery of teaching and learning.

Financial

The College has £9.4m of net liabilities (after taking account of the £11.3m defined pension benefit liability and £30.9m deferred capital grants)

People

The College employs 451 people (expressed as full-time equivalents), of whom 228 are teaching staff (2016/17: 488 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.

Major Estate developments

During 2017/18 there was investment in the resurfacing of the Caudon Campus car park and replacement of boilers in the Lifestyle building, both funded via the Fresh Start programme.

13 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.

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. Risks are prioritised using a consistent scoring system. 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 2017/18, 81% of the College's revenue was ultimately public funded (2016/17 - 77%) 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.

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The College is aware of three issues which may impact on future funding:-

- Ongoing pressures on central Government funding
- Changes to Apprenticeship funding
- Brexit

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
- Managing relationships with key funders and stakeholders

b) Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other Colleges, Stoke on Trent College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

The risk is mitigated in a number of ways:

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

c) Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

d) Post Area review

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 note 22.

During 2017/18, the College was reliant on exceptional financial support in order to meet its working capital requirements and debt servicing obligations.

14 Stakeholder relationships

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

- Students;
- Sector funding body;

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- Transaction Unit;
- 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.

15 Equality

Stoke on Trent College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage, and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis.

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

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees.

16 Disability statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995, as amended by the Special Education Needs and Disability Acts, 2001 and 2005, and in particular, makes the following commitments:

- a) as part of the re-development of the buildings, it has installed lifts and ramps so that most of the 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 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

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17 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
2	2

Percentage of time	Number of employees
0%	-
1-50%	2
51-99%	-
100%	-

Total cost of facility time (£000)	10
Total pay bill (£000)	14,640
Percentage of total bill spent on facility time	0.07%

Time spent on paid trade union activities as a percentage of total paid facility time	
---	--

18 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

19 December 2018

Stoke on Trent College
Financial Statements for the year ending 31 July 2018

Professional advisers

Internal Auditors

Grant Thornton
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Financial Statements and Regularity Auditors

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Bankers

Lloyds Bank Corporate Markets
125 Colmore Row
Birmingham
B3 3SF

Solicitors

Freeths Solicitors LLP
Federation House
Station Road
Stoke on Trent
ST4 2SA

Eversheds Sutherland (International) LLP
115 Colmore Row
Birmingham
B3 3AL

Beswicks Solicitors LLP
Sigma House
Lakeside
Festival Park
Stoke on Trent
ST1 5RY

Independent Clerk to the Corporation

Maxine Bagshaw

Stoke on Trent College
Financial Statements for the year ending 31 July 2018

Statement of Corporate Governance and Internal Control

Corporate Governance

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 2017 to the 31 July 2018 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"); and
- iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2018. 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	01.10.18	4 Years 1 st Term		External	Audit
BOUGHEY, David 70%	08.09.17	4 Years 1 st Term		External	Finance and Resources 57%
BROMLEY, Neil 100%	14.05.10	4 Years 1 st Term. 4 Years 2 nd Term, (plus 1 year LSC/SFA Nominee)	12.10.17	External	Transition Steering Group 100% Finance and Resources 100%

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BROWN, Denise 91%	17.07.17	Contractual Term		Principal and CEO	Finance and Resources 100% Curriculum, Quality and Standards 89% Transition Steering Group 100%
CARTWRIGHT, Jeremy (Chair) 100%	08.09.17	4 Years 1 st Term		External	Transition Steering Group 88%
FISHER, Rob	01.10.18	4 Years 1 st Term		External	Audit
FRENCH, Simon 0%	10.02.17	4 Years 1 st Term	16.10.17	External	Curriculum, Quality and Standards 22%
HOPLEY, Dave 90%	23.10.15	4 Years 1 st Term		Staff	Audit 100%
JONES, Martin 45%	10.02.17	4 Years 1 st Term		External	Audit (Chair) 100%
MCLEARY, Karen 40%	10.03.17	4 Years 1 st Term	31.08.18	Staff	Curriculum, Quality and Standards 44%
MOUNTNEY, Jo	01.10.18	4 Years 1 st Term		External	Curriculum, Quality and Standards
NAGI, Pritpal 55%	06.12.13	4 Years 1 st Term		External	None
OBADA, Julie 91%	10.02.17	4 Years 1 st Term		External	Audit 100%
RICHARDS, Paul 82%	14.05.10	4 Years 1 st Term 4 Years 2 nd Term, (plus 1 year LSC/SFA Nominee)		External	Finance and Resources 86% Transition Steering Group (Chair) 94%
SAWBRIDGE, Stephen 73%	12.05.17	4 Years 1 st Term		External	Curriculum, Quality and Standards 78%
TALBOT, Stephanie	01.10.18	4 Years 1 st Term		External	Curriculum, Quality and Standards
TOWNSHEND, Kate 91%	19.10.12	4 Years 1 st Term	31.08.18	Independent	Curriculum, Quality and Standards (Chair) 100% Audit 33%

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					Transition Steering Group 67%
VAUGHAN, Rosemary 64%	17.12.10	4 Years 1 st Term 4 Years 2 nd Term	31.08.18	External	Finance and Resources 0% Transition Steering Group 39%
VEALE, Adrian 91%	21.10.11	4 Years 1 st Term 4 Years 2 nd Term	30.09.18	External	Finance and Resources (Chair) 100% Transition Steering Group 100%

External Co-opted Members	Date appointed	Term of office	Date of Resignation	Status of Appointment	Committee
ANTHONY, Amanda	12.05.17	1 Year 2017/18		Co-optee	Audit 100%
CARRIGAN, Jason	01.09.18	1 Year 2018/19		Co-optee	Transformation, Finance and Resources
DYER, Yvonne	12.05.17	1 Year 2017/18	31.07.18	Co-optee	Finance and Resources 50%
FRENCH, Simon	10.02.17	4 Years 1 st Term	31.07.18	Co-optee	Curriculum, Quality and Standards 22%
RIMMINGTON, Ian	17.02.17	4 Years 1 st Term	18.04.18	Co-optee	Curriculum, Quality and Standards 57%

Student Governors	Date appointed	Term of office	Date of Resignation	Status of Appointment	Committees
BICKLEY, Isabel 78%	12.10.17	1 Year 2017/18	Term ends 31.07.18	Student	None
COOPER, Lois 60%	01.08.17	1 Year 2017/18	Term ends 31.07.18	Student	None
SADULA, Antoni	09.11.18	1 Year 2018/19	Term ends 31.07.19	Student	None
TYLICKI, Aleksander	30.11.18	1 Year 2018/19	Term ends 31.07.19	Student	None
ZDYB, Patrycja 67%	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

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 meets approximately 10 times a year.

Stoke on Trent College

Financial Statements for the year ending 31 July 2018

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
Finance and Resources Committee
Curriculum, Quality and Standards Committee
The Corporation also established a Transition Steering Group

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.

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.

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

Stoke on Trent College

Financial Statements for the year ending 31 July 2018

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 2018 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 2018 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.

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.

Stoke on Trent College
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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 19 December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

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

After making appropriate enquiries, following the successful bid for Transaction Unit restructuring funds, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues 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

19 December 2018

Stoke on Trent College
Financial Statements for the year ending 31 July 2018

Governing Body's statement on 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 of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the financial memorandum. As part of our consideration we have had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the 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 financial memorandum.

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



Jeremy Cartwright
Chair



Denise Brown
Principal and Chief Executive

19 December 2018

Stoke on Trent College
Financial Statements for the year ending 31 July 2018

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the financial memorandum with the ESFA, the Corporation through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education, and with the College Accounts Direction for 2017 to 2018 issued by the ESFA, which gives a true and fair view of the state of affairs of the group and the parent College and the result for that year.

In preparing the group and parent College 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
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or cease operations, or have no realistic alternative but to do so.

The Corporation is also required to prepare a Report of the Governing Body 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 parent College and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order 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 of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

19 December 2018

Stoke on Trent College
Financial Statements for the year ending 31 July 2018

Independent Auditor's Report to the Corporation of
Stoke on Trent College ('the Corporation')

Opinion

We have audited the financial statements of Stoke-on-Trent College ("the College") for the year ended 31 July 2018 which comprise the Consolidated and College Statements of Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Balance Sheets, the Consolidated Statement of Cash Flows and related notes, including the Statement of Accounting Policies.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2018, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

Basis for opinion

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

Going concern

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

Other information

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

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

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2017 to 2018 (March 2018) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

Stoke on Trent College
Financial Statements for the year ending 31 July 2018

We have nothing to report in these respects.

Corporation's responsibilities

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

Auditor's responsibilities

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

A full description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorresponsibilities

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

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



Anthony Felthouse
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date 19 December 2018

Stoke on Trent College
Financial Statements for the year ending 31 July 2018

Reporting Accountant's Report on Regularity to the Corporation of Stoke on Trent College and the Secretary of State for Education acting through the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 1 June 2017 and further to the requirements of the funding agreement with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Stoke on Trent College during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Education and Skills Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of Stoke on Trent College and the reporting accountant

The Corporation of Stoke on Trent College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

Stoke on Trent College
Financial Statements for the year ending 31 July 2018

The work undertaken to draw our conclusion included:

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

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

Conclusion

In the course of our work, nothing has come to our attention which suggests that, in all material respects, the expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Anthony Felthouse
For and on behalf of KPMG LLP, Reporting Accountant
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date 19 December 2018

Stoke on Trent College
Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July		Year ended 31 July	
		2018	2018	2017	2017
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	18,335	18,335	18,892	18,892
Tuition fees and education contracts	3	3,560	3,560	3,483	3,483
Other grants and contracts	4	-	-	9	9
Other income	5	1,152	1,284	2,012	1,996
Endowment and investment income	6	-	-	1	1
Total income		23,047	23,179	24,397	24,381
EXPENDITURE					
Staff costs	7	15,369	15,369	15,879	15,863
Other operating expenses	8	7,550	7,681	6,746	6,746
Depreciation	11	1,977	1,977	2,002	2,002
Impairment		-	-	-	-
Interest and other finance costs	9	1,210	1,210	1,380	1,380
Total expenditure		26,106	26,237	26,007	25,991
Deficit before other gains and losses		(3,059)	(3,058)	(1,610)	(1,610)
Gain on disposal of assets	11	-	-	8	8
Deficit before tax		(3,059)	(3,058)	(1,602)	(1,602)
Taxation	10	-	-	-	-
Deficit for the year		(3,059)	(3,058)	(1,602)	(1,602)
Actuarial gain in respect of pensions schemes		6,087	6,087	9,745	9,745
Total Comprehensive Income for the year		3,028	3,029	8,143	8,143
Represented by:					
Unrestricted comprehensive income		3,028	3,029	8,143	8,143
Restricted comprehensive income		-	-	-	-
		3,028	3,029	8,143	8,143
Surplus for the year attributable to:					
Non controlling interest					
Group		3,028	3,029	8,143	8,143
Total Comprehensive Income for the year attributable to:					
Non controlling interest					
Group		3,028	3,029	8,143	8,143

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


	Income and Expenditure account	Revaluation reserve	Total excluding Non controlling interest	Total
	£'000	£'000	£'000	£'000
Group				
Balance at 1st August 2016	(26,068)	5,503	(20,565)	(20,565)
Deficit from the income and expenditure account	(1,602)	-	(1,602)	(1,602)
Other comprehensive income	9,745	-	9,745	9,745
Transfers between revaluation and income and expenditure reserves	647	(647)	-	-
Total comprehensive income for the year	<u>8,790</u>	<u>(647)</u>	<u>8,143</u>	<u>8,143</u>
Balance at 31st July 2017	(17,278)	4,856	(12,422)	(12,422)
Deficit from the income and expenditure account	(3,059)	-	(3,059)	(3,059)
Other comprehensive income	6,087	-	6,087	6,087
Transfers between revaluation and income and expenditure reserves	125	(125)	-	-
Total comprehensive income for the year	<u>3,153</u>	<u>(125)</u>	<u>3,028</u>	<u>3,028</u>
Balance at 31st July 2018	<u>(14,125)</u>	<u>4,731</u>	<u>(9,394)</u>	<u>(9,394)</u>
College				
Balance at 1st August 2016	(26,068)	5,503	(20,565)	(20,565)
Deficit from the income and expenditure account	(1,602)	-	(1,602)	(1,602)
Other comprehensive income	9,745	-	9,745	9,745
Transfers between revaluation and income and expenditure reserves	647	(647)	-	-
Total comprehensive income for the year	<u>8,790</u>	<u>(647)</u>	<u>8,143</u>	<u>8,143</u>
Balance at 31st July 2017	(17,278)	4,856	(12,422)	(12,422)
Deficit from the income and expenditure account	(3,059)	-	(3,059)	(3,059)
Other comprehensive income	6,087	-	6,087	6,087
Transfers between revaluation and income and expenditure reserves	125	(125)	-	-
Total comprehensive income for the year	<u>3,153</u>	<u>(125)</u>	<u>3,028</u>	<u>3,028</u>
Balance at 31st July 2018	<u>(14,125)</u>	<u>4,731</u>	<u>(9,394)</u>	<u>(9,394)</u>

Stoke on Trent College
Balance sheets as at 31 July 2018

	Notes	Group	College	Group	College
		2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Tangible fixed assets	11	53,175	53,175	53,950	53,950
Investments	12	-	-	-	-
		<u>53,175</u>	<u>53,175</u>	<u>53,950</u>	<u>53,950</u>
Current assets					
Stocks		9	9	6	6
Trade and other receivables	13	2,410	2,412	1,742	1,742
Cash and cash equivalents	18	1,836	1,797	474	459
		<u>4,255</u>	<u>4,218</u>	<u>2,222</u>	<u>2,207</u>
Less: Creditors – amounts falling due within one year	14	(23,044)	(23,007)	(18,038)	(18,023)
Net current liabilities		<u>(18,789)</u>	<u>(18,789)</u>	<u>(15,816)</u>	<u>(15,816)</u>
Total assets less current liabilities		34,386	34,386	38,134	38,134
Less: Creditors – amounts falling due after more than one year	15	(29,761)	(29,761)	(31,570)	(31,570)
Provisions					
Defined benefit obligations	17	(11,258)	(11,258)	(16,062)	(16,062)
Other provisions	17	(2,761)	(2,761)	(2,924)	(2,924)
Total net liabilities		<u>(9,394)</u>	<u>(9,394)</u>	<u>(12,422)</u>	<u>(12,422)</u>
Unrestricted reserves					
Income and expenditure account		(14,125)	(14,125)	(17,278)	(17,278)
Revaluation reserve		4,731	4,731	4,856	4,856
Total unrestricted reserves		<u>(9,394)</u>	<u>(9,394)</u>	<u>(12,422)</u>	<u>(12,422)</u>
Total reserves		<u>(9,394)</u>	<u>(9,394)</u>	<u>(12,422)</u>	<u>(12,422)</u>

The financial statements on pages 28 - 54 were approved and authorised for issue by the Corporation on 19 December 2018 and were signed on its behalf on that date by:


Jeremy Capwright
Chair


Denise Brown
Principal and Chief Executive

Stoke on Trent College
Consolidated Statement of Cash Flows

	Notes	2018 £'000	2017 £'000
Cash inflow from operating activities			
Deficit for the year		(3,059)	(1,602)
Adjustment for non cash items			
Depreciation		1,977	2,002
Increase in stocks		(3)	(3)
Increase in debtors		(668)	(276)
(Decrease)/increase in creditors due within one year		1,083	(170)
Decrease in creditors due after one year		(1,109)	(987)
(Decrease)/increase in provisions		(163)	85
Pensions costs less contributions payable		1,281	1,181
Adjustment for investing or financing activities			
Investment income		-	(2)
Interest payable		672	694
Gain on sale of fixed assets		-	(10)
		<u>11</u>	<u>912</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	700
Investment income		-	1
Payments made to acquire fixed assets		(1,203)	(134)
		<u>(1,203)</u>	<u>567</u>
Cash flows from financing activities			
Interest paid		(672)	(694)
New unsecured loans		3,742	900
Repayments of amounts borrowed		(516)	(1,794)
		<u>2,554</u>	<u>(1,588)</u>
Increase/(decrease) in cash and cash equivalents in the year		<u>1,362</u>	<u>(109)</u>
Cash and cash equivalents at beginning of the year	18	474	583
Cash and cash equivalents at end of the year	18	1,836	474

Stoke on Trent College
Financial Statements for the year ending 31 July 2018

Statement of Accounting Policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2017 to 2018 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 preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the college’s accounting policies.

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities as at 31 July 2018 of £18,789,000, which the Corporation believes to be appropriate on the basis set out below.

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 SFA on 20th October 2014, and this remains in place until the BIS loan (see below) is repaid.

The Corporation has acknowledged that the College is not financially viable in the medium to long term as an independent entity in its present state and is reliant on support from third parties, including a £1.1m loan from BIS, long-term loans and an overdraft facility from Lloyds Bank and short term cash flow support from the ESFA.

In January 2016, the College received a BIS loan of £2.1m, of which £1.0m was repaid in 2016/17 leaving a balance of £1.1m. Further repayments were suspended by the ESFA pending the restructuring funds from the Transaction Unit (TU).

To support short-term cash flow during the year, the College received £966k Exceptional Financial Support (EFS) from the ESFA in November 2017 and a further £1m in July 2018. These were converted to non-repayable/restructuring grants as part of the TU funds in September 2018 (see below).

As detailed at Note 14, the College currently has £12.235m of loans outstanding with Lloyds Bank, and having breached loan covenants in the absence of a waiver at 31 July 2018, this amount has been wholly classified as due within one year in the balance sheet in line with Financial Reporting Standards. The College has been in a similar position since 2014. In these instances the bank wrote to the College acknowledging the breaches and confirmed they were reserving their rights in relation to requesting repayment of the loans. During 2017/18 the College has continued to discuss its forward financing needs with the Bank and they have granted an overdraft facility of £300k which the bank reviews on an ongoing monthly basis. The College understands that whilst the bank

Stoke on Trent College
Financial Statements for the year ending 31 July 2018

is not willing to grant further long-term facilities at the current time, they intend to continue to support the College.

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 has been working with the DfE Transaction Unit to secure Restructuring Fund grant support. The principal element was for the repayment of three of the four existing bank loans, BIS loans debt and the outstanding EFS support noted above. In addition, the bid included a small short-term loan request to provide additional headroom in the context of adverse variances against forecast operational cash flows. The funds were agreed and paid in September 2018.

Based on these indications the Corporation therefore believes it is appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The subsidiary trading of Real Apprentices Ltd in the year is not consolidated into the financial statements as the value of transactions is considered to be immaterial.

Recognition of income

The recurrent grant from the funding bodies is that receivable as informed by the reconciliation statements received.

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

Income from tuition fees is recognised in the period for which it is received and includes all fees paid by students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of completion of the contract or service concerned.

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

Post-Retirement Benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS). Contributions to the TPS are charged as incurred.

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

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

Further details of the pension schemes are given in note 23.

Stoke on Trent College
Financial Statements for the year ending 31 July 2018

Enhanced Pensions

The actual cost of any enhanced on-going 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 and expenditure account in the year that the staff member retires. In subsequent years, a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost, as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the re-valued amount is released to the income and expenditure account reserve on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold and leasehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations and refurbishments to buildings over the period of their useful economic life.

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

Finance costs, which are directly attributable to the construction of land and buildings, are capitalised as part of the cost of those assets. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the income and expenditure account.

On the introduction of FRS 102, the College has chosen 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 fixed assets

Where significant expenditure is incurred on tangible fixed assets, it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation. Inherited equipment has been depreciated over the period of its useful economic life to the College from incorporation and is now fully depreciated.

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

Stoke on Trent College
Financial Statements for the year ending 31 July 2018

General equipment	6.67% - 14.29% per annum
Furniture, fixtures and fittings	6.67% per annum
Computer equipment	20% to 33.3% per annum
Motor vehicles	20% per annum

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

Leased assets

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

Leasing agreements, which transfer to the College substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element of the leasing commitments is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant funded assets.

Capitalisation of Interest

Loan interest is capitalised when it is specifically related to major capital projects and only during the course of construction.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

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

Liquid Resources

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

Provisions

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

Stoke on Trent College
Financial Statements for the year ending 31 July 2018

Cash

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. The grants and related disbursements are excluded from the Income and Expenditure account, except for the 5% of the Learner Support Fund received which is available to the College to cover administration costs relating to the grant. The College employs 4 members of staff dedicated to the administration of Discretionary Support Fund applications and payments.

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
Notes to the Accounts (continued)

2 Funding council grants

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	5,322	5,322	5,567	5,567
Education and Skills Funding Agency – 16 -18	8,469	8,469	9,276	9,276
Education and Skills Funding Agency - apprenticeships	1,650	1,650	2,620	2,620
Specific Grants				
Education and Skills Funding Agency	1,852	1,852	347	347
Release of government capital grants	1,042	1,042	1,082	1,082
Total	18,335	18,335	18,892	18,892

3 Tuition fees and education contracts

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	1,057	1,057	1,033	1,033
Apprenticeship fees and contracts	241	241	-	-
Fees for FE loan supported courses	627	627	618	618
Fees for HE loan supported courses	255	255	329	329
Total tuition fees	2,180	2,180	1,980	1,980
Education contracts	1,380	1,380	1,503	1,503
Total	3,560	3,560	3,483	3,483

4 Other grants and contracts

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grants and contracts	-	-	9	9
Total	-	-	9	9

Stoke on Trent College
Notes to the Accounts (continued)

5 Other income

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	479	479	511	511
Other income generating activities	17	17	15	15
Examination and registration fees	4	4	8	8
Miscellaneous sales	45	45	72	72
Fees and charges	367	367	310	310
Student contributions	14	14	67	67
Other income	226	358	1,029	1,013
	<u>1,152</u>	<u>1,284</u>	<u>2,012</u>	<u>1,996</u>
Total				

6 Investment income

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	-	-	1	1
	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Net return on pension scheme (note 25)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>

Stoke on Trent College
Notes to the Accounts (continued)

7 Staff costs

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

	2018 No.	2017 No.
Teaching staff	228	241
Non teaching staff	223	247
	<u>451</u>	<u>488</u>

Staff costs for the above persons

	2018 £'000	2017 £'000
Wages and salaries	11,064	11,404
Social security costs	916	955
Other pension costs (including FRS102 adjustment of £839,000; 2017: £584,000)	2,660	2,657
	<u>14,640</u>	<u>15,016</u>
Payroll sub total	14,640	15,016
Contracted out staffing services	516	277
	<u>15,156</u>	<u>15,293</u>
Fundamental restructuring costs - Contractual	213	586
	<u>15,369</u>	<u>15,879</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 2018 was comprised of the Principal & Chief Executive, Vice Principal - Curriculum & Quality and Vice Principal - Finance & Corporate Services.

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

	2018 No.	2017 No.
The number of Key Management Personnel including the Accounting Officer was:	4	3

During the year the post of Principal was held by four individuals, two of whom were employed by the College and two engaged through third party arrangements.

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	
	2018 No.	2017 No.	2018 No.	2017 No.
£60,001 to £70,000	-	-	1	1
£70,001 to £80,000	1	-	-	-
£80,001 to £90,000	1	-	-	-
£90,001 to £100,000	1	-	-	-
£100,001 to £110,000	-	2	-	-
£130,001 to £140,000	-	1	-	-
£140,001 to £150,000	1	1	-	-
£170,001 to £180,000	-	1	-	-
£240,001 to £250,000	-	1	-	-
	<u>4</u>	<u>6</u>	<u>1</u>	<u>1</u>

Stoke on Trent College
Notes to the Accounts (continued)

7 Staff costs

Key management personnel compensation is made up as follows:

	2018 £'000	2017 £'000
Salaries	279	348
Employers National Insurance contributions	36	31
Benefits in kind	-	5
	315	384
Pension contributions	22	38
Total emoluments	337	422

During the year ending 31 July 2017 the post of Accounting Officer was held by four individuals, two of whom were employed by the College and two engaged through third party arrangements.

	2018 £'000	2017 £'000
<u>Salaries:</u>		
Chief Executive - 1 August 2016 to 3 March 2017	-	101
Group Director Finance and Resources - 4 March 2017 to 27 March 2017	-	7
Interim Principal - 28 March 2017 to 9 July 2017	-	67
Principal - 10 July 2017 to 31 July 2017	-	9
Principal - 1 August 2017 to 31 July 2018	145	-
<u>Benefits in kind:</u>		
Chief Executive - 1 August 2016 to 3 March 2017	-	2
	145	186
<u>Pension contributions:</u>		
Chief Executive - 1 August 2016 to 3 March 2017	-	16
Group Director Finance and Resources - 4 March 2017 to 27 March 2017	-	1
	-	17

Compensation for loss of office paid to former key management personnel

2018	2017
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Stoke on Trent College
Notes to the Accounts (continued)

8 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	512	508	549	549
Non teaching costs	5,613	5,748	4,312	4,312
Premises costs	1,425	1,425	1,885	1,885
	<u>1,425</u>	<u>1,425</u>	<u>1,885</u>	<u>1,885</u>
Total	<u>7,550</u>	<u>7,681</u>	<u>6,746</u>	<u>6,746</u>

Other operating expenses include:

	2018	2017
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	41	27
Internal audit	23	27
Hire of assets under operating leases	132	432

Stoke on Trent College
Notes to the Accounts (continued)

9 Interest payable - Group and College

	2018 £'000	2017 £'000
On bank loans, overdrafts and other loans:	<u>672</u>	<u>694</u>
	672	694
Net interest on defined pension liability (note 23)	<u>538</u>	<u>686</u>
Total	<u><u>1,210</u></u>	<u><u>1,380</u></u>

10 Taxation - Group only

	2018 £'000	2017 £'000
United Kingdom corporation tax at 20% (2017 20%)	-	-
Total	<u><u>-</u></u>	<u><u>-</u></u>

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.

Stoke on Trent College
Notes to the Accounts (continued)

11 Tangible fixed assets - Group and College

	Land and buildings	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2017	62,481	8,433	70,914
Additions	601	602	1,203
Disposals	-	(70)	(70)
At 31 July 2018	63,082	8,965	72,047
Depreciation			
At 1 August 2017	12,221	4,743	16,964
Charge for the year	1,267	710	1,977
Elimination in respect of disposals	-	(69)	(69)
At 31 July 2018	13,488	5,384	18,872
Net book value at 31 July 2018	49,594	3,581	53,175
Net book value at 31 July 2017	50,260	3,690	53,950

Stoke on Trent College
Notes to the Accounts (continued)

12 Non current Investments

	College 2018 £	College 2017 £
Investments in subsidiary companies	100	100
	<u>100</u>	<u>100</u>
Total	<u>100</u>	<u>100</u>

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 of staff to the College.

13 Trade and other receivables

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Amounts falling due within one year:				
Trade receivables	967	969	637	637
Prepayments and accrued income	1,302	1,302	941	941
Amounts owed by the ESFA	141	141	164	164
Total	<u>2,410</u>	<u>2,412</u>	<u>1,742</u>	<u>1,742</u>

Stoke on Trent College
Notes to the Accounts (continued)

14 Creditors: amounts falling due within one year

	Group	College	Group	College
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	12,235	12,235	12,754	12,754
BIS Loan	1,100	1,100	400	400
Trade payables	423	423	233	233
Other creditors	170	170	264	264
Other taxation and social security	661	624	642	627
Accruals and deferred income	2,803	2,803	1,801	1,801
Deferred income - government capital grants	1,110	1,110	1,023	1,023
Amounts owed to the ESFA	4,525	4,525	912	912
Amounts received in advance from the ESFA	17	17	9	9
Total	23,044	23,007	18,038	18,023

15 Creditors: amounts falling due after one year

	Group	College	Group	College
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
BIS Loan	-	-	700	700
Deferred income - government capital grants	29,761	29,761	30,870	30,870
Total	29,761	29,761	31,570	31,570

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 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	17,691	17,691	13,787	13,787
Between one and two years	-	-	700	700
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	<u>17,691</u>	<u>17,691</u>	<u>14,487</u>	<u>14,487</u>

In January 2016, the College received a BIS loan of £2.1m, of which £1.0m was repaid in 2016/17 leaving a balance of £1.1m. Further repayments were suspended pending the restructuring funds from the Transaction Unit (TU). This loan was converted to a non-repayable grant in September 2018.

Since July 2014 the Lloyds Bank loan covenants had been breached and a formal waiver from the bank has not been in place. The College has received 'reservation of rights' letters 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 at 27th September were repaid. Further details can be found in note 22.

As a consequence of this, the balance sheet has been presented on the basis that all debt that could technically have become repayable and has been classified within current liabilities.

Stoke on Trent College
Notes to the Accounts (continued)

17 Provisions

	Restructuring	Group and College Enhanced Pensions	Defined benefit Obligations	Total
	£'000	£'000	£'000	£'000
At 1 August 2017	230	2,694	16,062	18,986
Expenditure in the period	(81)	(151)	(1,283)	(1,515)
Transferred from income and expenditure account	(25)	94	(3,521)	(3,452)
At 31 July 2018	124	2,637	11,258	14,019

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

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

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2018	2017
Price inflation	1.30%	1.30%
Interest rate	2.30%	2.30%

18 Cash and cash equivalents

	At 1 August 2017	Cash flows	Other changes	At 31 July 2018
	£'000	£'000	£'000	£'000
Cash and cash equivalents	474	1,362	-	1,836
Total	474	1,362	-	1,836

19 Capital commitments

	Group and 2018 £'000	2017 £'000
Commitments contracted for at 31 July	70	34

Stoke on Trent College Notes to the Accounts (continued)

20 Lease Obligations

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

	Group and College	
	2018	2017
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	14	24
Later than one year and not later than five years	85	68
later than five years	-	-
	<u>99</u>	<u>92</u>
Other		
Not later than one year	40	54
Later than one year and not later than five years	-	-
later than five years	-	-
	<u>40</u>	<u>54</u>
Total lease payments due	<u>139</u>	<u>146</u>

21 Contingent liabilities

The College is currently being sued for damages by a neighbour concerning alleged 'nuisance' caused to his property. The matter is currently in Court with a potential Trial date between February 2019 and May 2019. In view of the uncertainty, no financial provision has been made in these accounts in relation to this matter.

22 Events after the reporting period

At 31st July 2018 all bank loans and amounts owed to the ESFA for exceptional financial support (including a loan from BIS) have been classified as short term creditors on the balance sheet.

On 27 September 2018 the College received restructuring funding from the Transaction Unit which resulted in three of the College's loans with Lloyds Bank being repaid in full (£9.06m plus £1.93m break costs), and a repayment of £5.475m of exceptional support funding, including the BIS loan of £1.1m, was waived. Under the restructuring agreement the College also received an additional £500k loan from the Transaction Unit, which is an interest bearing loan repayable by 18 July 2030, subject to a capital loan repayment holiday until October 2021.

On 26th October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

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 Pension Fund (LGPS) for non-teaching staff, which is managed by Staffordshire County Council. 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 2012 and of the LGPS 31 March 2016.

Total pension cost for the year	2018 £'000	2017 £'000
Teachers Pension Scheme: contributions paid	704	791
Local Government Pension Scheme:	1,039	1,007
Contributions paid	1,743	1,798
FRS 102 (S28) charge	839	584
Charge to the Statement of Comprehensive Income	2,582	2,382
Enhanced pension charge to Statement of Comprehensive Income	58	268
Scottish Widows: contributions paid	20	7
Total Pension Cost for Year	2,660	2,657

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 and other educational establishments, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

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

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

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

Stoke on Trent College

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

The new employer contribution rate for the TPS will be implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £704,000 (2017: £791,000)

Stoke on Trent College

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Staffordshire County Council Local Authority. The total contribution made for the year ended 31 July 2018 was £1,307,000, of which employer's contributions totalled £1,039,000 and employees' contributions totalled £268,000. The agreed contribution rates for future years are 19.3% (primary) and £312k (secondary). These are set to rise to 21% and £396k by April 2019. Employee contributions range from 5.5% to 12.5% depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	2.80%	2.90%
Future pensions increases	2.40%	2.50%
Discount rate for scheme liabilities	2.80%	2.70%

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 2018 years	At 31 July 2017 years
<i>Retiring today</i>		
Males	22.10	22.10
Females	24.40	24.40
<i>Retiring in 20 years</i>		
Males	24.10	24.10
Females	26.40	26.40

Sensitivity analysis

	At 31 July 2018 £'000	At 31 July 2017 £'000
0.5% decrease in Real Discount Rate	7,429	7,335
0.5% increase in Salary Increase Rate	976	1,002
0.5% increase in the Pension Increase Rate	6,374	6,237

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 2018 £'000	Fair Value at 31 July 2017 £'000
Equities	38,138	37,745
Bonds	9,807	5,960
Property	4,359	3,973
Cash	2,179	1,987
Total market value of assets	54,483	49,665
Weighted average expected long term rate of return	2.80%	2.70%
Actual return on plan assets	3,204	3,683

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

	2018 £'000	2017 £'000
Fair value of plan assets	54,483	49,665
Present value of plan liabilities	(65,475)	(65,435)
Present value of unfunded liabilities	(266)	(292)
Net pensions liability (Note 17)	(11,258)	(16,062)

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

	2018 £'000	2017 £'000
Amounts included in staff costs		
Current service cost	1,828	1,691
Past service cost	223	-
Total	2,051	1,691

Amounts included in investment income

Net interest income	(444)	(598)
	(444)	(598)

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	3,204	3,683
Experience losses arising on defined benefit obligations	11	6,668
Changes in assumptions underlying the present value of plan liabilities	2,872	(606)
Amount recognised in Other Comprehensive Income	6,087	9,745

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

	2018	2017
	£'000	£'000
Deficit in scheme at 1 August	(16,062)	(24,624)
Movement in year:		
Current service cost	(1,828)	(1,691)
Employer contributions	1,212	1,106
Past service cost	(223)	-
Net interest on the defined (liability)/asset	(444)	(598)
Actuarial gain or loss	6,087	9,745
Net defined benefit liability at 31 July	<u>(11,258)</u>	<u>(16,062)</u>

Asset and Liability Reconciliation

	2018	2017
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	65,727	69,373
Current Service cost	1,828	1,691
Interest cost	1,788	1,673
Contributions by Scheme participants	308	311
Experience gains and losses on defined benefit obligations	(11)	(6,668)
Changes in financial assumptions	(2,872)	606
Estimated benefits paid	(1,250)	(1,259)
Past Service cost	223	-
Defined benefit obligations at end of period	<u>65,741</u>	<u>65,727</u>

Reconciliation of Assets

	2018	2017
	£'000	£'000
Fair value of plan assets at start of period	49,665	44,748
Interest on plan assets	1,344	1,075
Return on plan assets	3,204	3,683
Employer contributions	1,212	1,107
Contributions by Scheme participants	308	311
Estimated benefits paid	(1,250)	(1,259)
Fair value of plan assets at end of period	<u>54,483</u>	<u>49,665</u>

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.

Real Apprentices Ltd, a company limited by guarantee is part of the College group and was established to provide apprenticeship services to the local industry.

At 31 July 2018 £nil (2017:£25k) was owed to the College in respect of salaries. There were no other transactions between the College and the company.

Education Business Support Services (Stoke) Ltd is also part of the College group. It was established to provide support staff to the college. At 31 July, the balances owed to the College were £2k (2017: nil)

The College also has one further group company Stoke on Trent College which remained dormant throughout the year.

25 Amounts disbursed as agent

SFA - Adult Discretionary Support

	2018 £'000	2017 £'000
19+ hardship support	-	-
20+ childcare	-	-
24+ support	262	262
	<u>262</u>	<u>262</u>
Disbursed to students	(110)	(113)
Administration costs	(2)	(2)
	<u>(112)</u>	<u>(115)</u>
Balance unspent as at 31 July	<u>150</u>	<u>147</u>

EFA - 16-19 Bursary funds

Discretionary Bursaries

	352	358
Disbursed to students	(343)	(348)
Administration costs	(9)	(10)
	<u>(352)</u>	<u>(358)</u>
	<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.

