



City of Stoke on Trent Sixth Form College

Report and Financial Statements for the 13 month period ended 31 August 2017 (and year ended 31 July 2016)

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Mark Kent	- Principal and CEO; Accounting officer
Mike Hill	- Deputy Principal (to 21 August 2017)
Matthew Marshall	- Deputy Principal
Stephen Murfin	- Director of Finance and Resources
Rachel Jablonski	- Assistant Principal Curriculum
Claire Gaygan	- Assistant Principal Student Services

Board of Governors

A full list of Governors is given on pages 13-15 of these financial statements.

Mr E Williams acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

RSM UK Audit LLP, One City Place, Queen Street, Chester. CH1 3BQ

Internal auditors:

TIAA Limited, 53-55 Gosport Business Centre, Aerodrome Road, Gosport. PO13 0FQ

Bankers:

National Westminster Bank plc, Churchill House, Regent Road, Stoke on Trent. ST1 5SJ

Solicitors:

Main - Freeths LLP, Federation House, Station Road, Stoke on Trent. ST4 2SA

Academy Conversion - Browne Jacobson, Mowbray House, Castle Meadow Road, Nottingham.

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Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the 13 month period ended 31 August 2017, drawn up immediately prior to the transfer of assets and liabilities to the new Academy Trust.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the City of Stoke on Trent Sixth Form College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation was incorporated as the City of Stoke on Trent Sixth Form College. With effect from 1 September 2017 the Secretary of State granted consent to the Corporation to convert to a Multi Academy Trust with a change of name to the Potteries Educational Trust. These financial statements cover the 13 month period from 1 August 2016 to 31 August 2017. The formal transfer took place at 23.59 on 31 August 2017, however these accounts are drawn up to immediately prior to the transfer of assets and liabilities taking place, and dissolution of the College.

Mission

Governors reviewed the College's mission during 2016/17 and adopted a revised mission statement as follows:

"A caring community delivering excellence and inspiring futures"

Public Benefit

The City of Stoke on Trent Sixth Form 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 were trustees of the charity, are disclosed on pages 13 to 15.

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 (LEPs)

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Implementation of strategic plan

In May 2017 the College adopted a joint strategic plan, with the Potteries Educational Trust, for the period 2017 to 2020. The College also prepared estates and financial plans which form part of the overarching strategic plan. The Corporation monitored the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic ambitions were to:

1. Become the first choice provider of outstanding 16-19 education within the City and the region.
2. Build the capacity of staff to enhance the student experience.
3. To be the specialist provider of 16-19 Level 3 programmes of study.
4. To make a powerful contribution to partnership working both within the PET and across the City and North Staffordshire.
5. Ensure an efficient and sustainable future by the effective use of financial and human resources.

The College was happy with the progress in achieving these objectives up to dissolution.

The College's and PET's specific objectives for 2016/17 and achievement of those objectives is addressed below.

- The College achieved 1,414 funded FTE learners against a target of 1,450 FTE learners.
- Student success rates were maintained at 0.9% above the Sixth Form College national average on Level 3 programmes. The improvements in achievement at A2 were maintained, and the proportion of AS students achieving a high grade has improved. Outstanding levels of achievement and high grade achievement on BTEC Level 3 programmes was maintained.
- Improved the quality of teaching, learning and assessment by ensuring appropriate levels of staff utilisation against a background of substantially reduced funding from central government.
- Enhanced the range of facilities and support available to students.

Financial objectives

The College sets annual financial objectives in order to continue to maintain high standards of education and support for learners by the efficient use of funding allocated to the College.

In addition the College wishes to remain financially sound so as to:

- Maintain and further develop the very highest levels of teaching and learning for all its students. We seek to be the centre for academic excellence in the region and to work to support colleagues in feeder schools in developing their practice also – working in a collegiate way that acknowledges we can learn as much from them as they from us and for the betterment of all young people's lives in the area.

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- Protect itself from unforeseen adverse changes in enrolments and learner activity levels. It should be noted that although the concept of the current funding methodology reduces the risk of in-year reconciliation any under achievement of targets in one year could lead to rebasing of allocations and reduced funding in future years.
- Provide a safe, pleasant and secure working environment for learners and staff.
- Generate sufficient income to enable maintenance and improvement of its accommodation and equipment.
- Develop staff to their full potential to enable them to motivate learners to achieve their goals.

The College wishes to maintain the confidence of funders, suppliers, bankers and auditors whilst also raising the awareness of College staff of the financial environment under which it operates.

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Performance indicators

Key performance Indicator	Measure/Target	Actual for 2016/17
Operating surplus/sector EBITDA as % of income	-9.70%	15.8%
Staff costs as % of income	65.74%	63.3%
Operating cash flow	£487,000	£681,000
Cash days in hand/liquidity (adjusted current ratio)	127.4	137.1
Borrowing as % of income	0.00%	0.00%
Reliance on ESFA income	93.66%	92.25%
Financial Health Score	Satisfactory	Outstanding

The College is committed to observing the importance of 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 a "Outstanding" financial health grading. The current rating of Good is considered an acceptable outcome.

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FINANCIAL POSITION

Financial results

The College generated a deficit before actuarial gains and losses in the period of £(875,000) (2015/16 – surplus of £411,000), with total comprehensive income of £22,000 (2015/16 – deficit (£130,000)). The total comprehensive income in 2016/17 is stated after accounting for the repayment of the long term loan and associated early repayment penalty.

The College has accumulated reserves of £7,483,000 and cash and short term investment balances of £2,858,000 (2016 – £6,669,000). The College accumulated reserves and cash balances in order to create a contingency fund for future potential capital developments within the University Quarter.

Tangible fixed asset additions during the year amounted to £344,000. This was split between building improvements of £63,000 and equipment purchased of £281,000.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 92% of the College's total income.

Actions taken by the College in each of the last five years has significantly reduced the operating cost base in order to provide some protection from future funding reductions.

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 had a separate treasury management policy in place.

The College has no borrowings.

Cash flows and liquidity

A £681,000 inflow (2015/16 £1,045,000 inflow), net cash flow from operating activities was reasonably strong. Overall net cash outflow of £3,811,000 (2016 - £146,000 inflow) resulted from the repayment of the long term loan and break fee of £4,158,000 and the management of other resources.

The repayment of the College's total borrowing was made in preparation for the conversion to academy status and creation of the MAT, the Potteries Educational Trust.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The College reserves include £53,000 held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £7,250,000 (2016: £7,228,000).

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial health

It has been the intention to maintain financial health at 'good' or better in order to assist the successful delivery of the College's financial objectives, including delivery of an outstanding

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curriculum, quality improvement and excellent buildings and resources.

Student numbers

In 2016/17 the College has delivered activity that has produced £6,645,000 in funding body main allocation funding (2015/16 – £6,854,000). The College had approximately 1,414 funded and 3 non-funded students.

Student achievements

Success in level three programmes of study has continued to increase despite the change to new qualifications, demonstrated by a third increase in value added scores for A Level students and continuing outstanding results in BTEC courses.

Success rates remain high and above the likely national benchmarks for the new reformed qualifications.

The recent short inspection by OFSTED has endorsed that the college quality assessment processes are reflecting accurately on past performance and effectively planning future actions to continue the college's steady and sustainable improvements in the student learning experience and outcomes.

Curriculum developments

In contrast to many Sixth Form Colleges significant numbers of our students have low levels of prior educational achievement. The College is growing the range of courses aimed at these students and is adapting modes of delivery to provide more focussed support for individuals. The continuation of a Level 3 Foundation Year to provide a three year Key Stage 5 for those not having been as successful in school but with the academic potential to proceed at Level 3 has been a positive addition to the College's curriculum portfolio.

At the same time, a significant minority of academically gifted students grows each year and the College is responding to ensure a high degree of support and opportunity through the curriculum to stretch these learners appropriately.

The introduction of the Futures Programme has had a significant impact on improving student's employability and research skills. On top of this a series of academic apprenticeships has provided sufficient support for students in exploring their future career pathway.

A further set of curriculum developments has seen the College broaden its offering linked to key local vocational and HE progression with the introduction of Games Design as a preparation for those wishing to progress to the UK centre of excellence in this area at Staffordshire University. In addition, the new Statistics A Level has supplied those wishing to follow careers in medical science, biological, social and earth sciences.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2016 to 31 August 2017, the College paid 85.90% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

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RESOURCES

The College had various resources that it could deploy in pursuit of its strategic objectives.

Tangible resources include the main college site at Leek Road, indoor sports facilities and playing fields at Fenton Manor and shared state of the art science facilities with Staffordshire University.

Financial

The College has £7,483,000 of net assets (2016 - £7,462,000) including £2,358,000 pension liability. The College has no long term debt.

People

The College employs 121 people (2016 – 112) (expressed as full time equivalents), of whom 63 are teaching staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

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 Senior Leadership Team and wider Risk Management Group had undertaken a comprehensive review of the risks to which the College is exposed. They identify 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. In addition to the annual review, the Senior Leadership Team and wider Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at least termly by the Audit Committee and more frequently where necessary. 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.

This is supported by a risk management training programme to raise awareness of risk throughout the College.

Outlined below is a description of the principal risk factors that could 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.

Government funding

The College had considerable reliance on continued government funding through the further education sector funding bodies. In 2016/17, 92% of the College's revenue was ultimately publicly funded and this level of requirement is being addressed to minimise the impact of further funding

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cuts due either to national funding rates or local demographic trends. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- The current 'lagged numbers' funding system which affects future capacity to increase enrolment targets.
- The adverse effect on funding of the continued cuts in public spending through potential funding rate reductions and non-funding of learner number growth.

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 high quality education and training.
- Considerable focus and investment is placed on 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.
- Regular dialogue with funding bodies.

1 Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

2 Failure to maintain the financial viability of the College

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

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

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, the City of Stoke on Trent Sixth form College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Sixth Form Commissioner;
- Staff;
- Local employers (with specific links);

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- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Local schools and academies;
- Other FE institutions;
- 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 meetings.

Equality

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

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. 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 which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College has implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

- a) As part of its accommodation strategy the College has taken professional advice to ensure that the building is particularly user friendly for disabled users.
- b) The College has a student services team, who provide information, advice and arrange support where necessary for students with disabilities.
- c) There is specialist equipment which the College can make available for use by students and a range of assistive technology is available in the learning centres.
- d) 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.

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- e) The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. 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 College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

The members of the Potteries Educational Trust who held office at the date of approval of this report confirm that in respect of the City of Stoke on Trent Sixth Form College, 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 on 14 December 2017 and signed on its behalf by:



M Jones, Chair of Potteries Educational Trust

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Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2016 to 31st August 2017, being the date of dissolution of the College, and up to the date of approval of the annual report and 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 was committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complied with all the provisions of the Code, and it has complied throughout the year ended 31 August 2017. 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.

The College was an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who were 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 dissolution were as listed in the table below.

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Mrs N Beech	7 July 2014	4		External	Audit	5/10 (50%)
Mr P Buren	12 July 2014	4		External		1/1 (100%)
Mr A Clarke	22 March 2017	4		External	Audit (Chair), Remuneration	9/13 (64%)
Mrs K Clarke	4 October 2017	4		External	Finance & Resources (Chair)	6/14 (46%)
Mrs E J Durose	1 August 2015	4		External	Search & Gov , Remuneration (Chair), Finance & Resources	15/20 (75%)

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Rev G Eze	11 October 2016	4		External	Curriculum & Students	7/9 (78%)
Dr C Freeman	30 November 2013	4		External	Chair of Corporation, Curriculum & Students, Quality, Standards & Monitoring	25/27 (93%)
Mr J Gething	1 September 2015	4		External	Audit, Quality, Standards & Monitoring	14/14 (100%)
Miss G Hassall-Dendy	16 December 2015	2		Support Staff	Audit	10/10 (100%)
Mr R Hewitt	5 October 2015	4		External	Audit, Remuneration	6/13 (46%)
Mrs D Hopwood	16 October 2014	2		Parent	Curriculum & Students	8/90 (89%)
Mr W Hopwood	16 October 2016	1		Student	Curriculum and Students	4/9 (44%)
Mrs J Hulme	14 December 2016	4		External	Quality, Standards & Monitoring	6/7 (86%)
Miss B Keeling	16 October 2016	1		Student	Curriculum & Students	4/9 (44%)
Mr M Kent	1 January 2016	N/A		Principal	Search & Gov, Curriculum & Students, Finance & Resources	17/19 (89%)
Mr L KraleV	17 December 2014	2		Teaching Staff	Curriculum & Students	5/9 (56%)
Mrs A Maguire	7 July 2014	4	21 March 2017	External	Finance & Resources, Quality, Standards & Monitoring	6/9 (68%)
Mrs P Meakin	12 July 2017	4		External		1/1 (100%)
Mr K Onions	14 July 2014	4		External	Finance and Resources	8/12 (67%)
Mrs K Smith	21 May 2015	4		External	Curriculum & Students, Quality, Standards & Monitoring	9/14 (64%)

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Dr S Wyn Williams	12 December 2012	4		External	Vice-Chair of Corporation, Curriculum & Students (Chair), Quality, Standards & Monitoring,	16/23 (70%)
Mr E Williams acts as Clerk to the Corporation and its committees.						

Co-opted Members of Committees

Mr I Starkie	1 September 2015	4		Co-opted	Audit	3/4 (75%)
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It was the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

The Corporation conducted its business through a number of committees. Each committee had terms of reference, which have been approved by the Corporation. These committees were Curriculum Quality and Standards, Finance and Resources, Remuneration, Search and Governance and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

The City of Stoke on Trent Sixth Form College
Leek Road
Stoke on Trent
Staffordshire

ST4 2RU

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

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

Formal agendas, papers and reports were supplied to governors in a timely manner, prior to Board meetings. Briefings were provided on an ad hoc basis.

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

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

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Appointments to the Corporation

Any new appointments to the Corporation were a matter for the consideration of the Corporation as a whole. The Corporation had a search committee, consisting of three members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation was responsible for ensuring that appropriate training is provided as required.

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

Corporation performance

Corporation members undertook an annual self-assessment of performance using an extensive questionnaire based on the Good Governance Practice Guide and aligned to the Ofsted Common Inspection Framework. A report was considered in detail by the Search and Governance Committee which identifies areas for improvement and actions to be taken. The Corporation was provided with a summary report. The results of the exercise were also benchmarked with the results of a number of other colleges which use the same questionnaire and which have agreed to participate in a benchmarking group.

Following a rigorous assessment of all aspects of governance the Corporation have overall self-assessed as 'Good'.

Remuneration Committee

The Committee's responsibilities were to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the 13 month period ended 31 August 2017 are set out in note 5 to the financial statements.

Audit Committee

The Audit Committee comprised four members of the Corporation (excluding the Accounting Officer and Chair) and a co-opted audit specialist. The Committee operated in accordance with written terms of reference approved by the Corporation.

The Audit Committee met on a termly basis and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also received and considered 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 was responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

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

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the recommendation of the audit committee. At 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. His 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, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of his 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 received 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 and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control 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 November 2017 meeting, the Governing Body of the Potteries Educational Trust on behalf of the College carried out the annual assessment for the 13 month period ended 31 August 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 August 2017.

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

Going concern

The Corporation was dissolved on 31 August 2017 and with effect from 1 September 2017 and converted to a multi academy trust with all assets and liabilities transferred to the new entity. The financial statements have been drawn up on a basis other than that of going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

Approved by order of the members of the Governing Body of the Potteries Educational Trust on behalf of the College on 14 December 2017 and signed on its behalf by:

Signed



M Jones, Chair of Potteries Educational Trust

Signed



M Kent, Accounting Officer

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

Internal control

Scope of responsibility

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

The Corporation had delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Agreement between the City of Stoke on Trent Sixth Form College and the funding bodies. He was 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 was 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 was based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the City of Stoke on Trent Sixth Form College for the 13 month period ended 31 August 2017 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 ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 August 2017 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 was 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 had an internal audit service, which operated 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

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the college's funding agreement. As part of the Governing Body of the Potteries Educational Trust in respect of the City of Stoke on Trent Sixth Form College consideration we have had due regard to the requirements of the funding agreement.

We confirm on behalf of the Governing Body of the Potteries Educational Trust in respect of the City of Stoke on Trent Sixth Form College, 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 funding agreement.

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.

Signed



M Jones

Chair of Potteries Educational Trust

Signed



M Kent

Accounting Officer

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

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.

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

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

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

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

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Approved by order of the members of the Governing Body of the Potteries Educational Trust on behalf of the City of Stoke on Trent Sixth Form College on 14 December 2017 and signed on its behalf by:

Signed



M Jones

Chair of Potteries Educational Trust

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF POTTERIES EDUCATIONAL TRUST IN RESPECT OF CITY OF STOKE SIXTH FORM COLLEGE

Opinion

We have audited the financial statements of City of Stoke Sixth Form College (the 'Dissolved College') for the period ended 31 August 2017 which comprise the college statement of comprehensive income, the college balance sheet, college statement of changes in reserves, the college statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' as set out in our engagement letter dated 4 October 2017.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 August 2017 and of the College's surplus of income over expenditure for the period then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Emphasis of Matter – non going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements. As described in note 1, the College dissolved on 31 August 2017 and its activities, assets and liabilities transferred to the Potteries Educational Trust. The financial statements for the period ended 31 August 2017 have been drawn up on a basis other than that of going concern.

No material adjustments arose as a result of ceasing to apply the going concern basis.

Other information

The governors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education requires us to report to you in respect of City of Stoke Sixth Form College if, in our opinion:

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

Responsibilities of the Governing Body of Potteries Educational Trust in respect of City of Stoke Sixth Form College

As explained more fully in the Statement of the Governing Body's Responsibilities set out on page 1, the Governing Body is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

This report is made solely to the Governing Body of the Potteries Educational Trust in respect of City of Stoke Sixth Form College, as a body, in accordance with the Funding Agreement published by the Education Funding Agency and our engagement letter dated 4 October 2017. Our audit work has been undertaken so that we might state to the Governing Body, as a body, those matters we are required under our engagement letter dated 4 October 2017 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 Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK AUDIT LLP
Chartered Accountants
One City Place
Queen Street
Chester
CH1 3 BQ
16 December 2017

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE
Financial Statements for the Period Ended 31 August 2017

Statement of Comprehensive Income and Expenditure

	Notes	13 month period ended 31 August 2017 (Pre Transfer) £'000	Year ended 31 July 2016 £'000
INCOME			
Funding body grants	2	7,358	7,453
Other income	3	558	202
Investment income	4	10	65
Total income		7,926	7,720
EXPENDITURE			
Staff costs	5	5,004	4,533
Restructuring costs	5	12	-
Other operating expenses	6	1,657	1,739
Depreciation	9	834	756
Interest and other finance costs	7		
- Pension finance income		78	281
- Exceptional loan break fee		1,216	-
		1,294	281
Total expenditure		8,801	7,309
(Deficit)/surplus before other gains and losses		(875)	411
(Deficit)/surplus before tax		(875)	411
Taxation	8	-	-
(Deficit)/surplus for the year		(875)	411
Re-measurement of net defined pension liability	18	897	(541)
Other comprehensive income for the year		897	(541)
Total Comprehensive Income for the year		22	(130)
Represented by:			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		22	(130)
		22	(130)

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE
Financial Statements for the Period Ended 31 August 2017

Statement of Changes in Reserves

			Income and expenditure account	Revaluation reserve	Total
	Note	Restricted £'000	Unrestricted £'000	£'000	£'000
Balance at 1st August 2015		55	7,358	180	7,593
Surplus/(deficit) from the income and expenditure account		-	411	-	411
Movement in restricted reserve		(1)	-	-	(1)
Other comprehensive income	18	-	(541)	-	(541)
Total comprehensive income for the year		(1)	(130)	-	(131)
Balance at 31st July 2016		54	7,228	180	7,462
Surplus/(deficit) from the income and expenditure account		-	(875)	-	(875)
Movement in restricted reserve		(1)	-	-	(1)
Other comprehensive income	18	-	897	-	897
Total comprehensive income for the 13 month period		(1)	22	-	110
Balance at 31st August 2017		53	7,250	180	7,483

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE
Financial Statements for the Period Ended 31 August 2017

Balance sheet as at

	Notes	Pre transfer as at	Restated
		31 August 2017 £'000	31 July 2016 £'000
Fixed assets			
Tangible Fixed assets	9	27,084	27,587
Current assets			
Stocks		15	30
Debtors	10	129	197
Cash at bank and in hand		2,858	6,669
Current assets		3,002	6,896
Creditors – amounts falling due within one year	11	(1,834)	(2,083)
Net current assets		1,168	4,813
Total assets less current liabilities		28,252	31,590
Creditors – amounts falling due after more than one year	12	(18,147)	(21,604)
Provisions for liabilities			
Defined benefit pension scheme	18	(2,358)	(3,058)
Other provisions	14	(264)	(276)
Total net assets		7,483	7,462
Reserves			
Restricted reserves		53	54
Unrestricted Reserves			
Income and expenditure account		7,250	7,228
Revaluation reserve		180	180
Total unrestricted reserves		7,430	7,408
Total reserves		7,483	7,462

The financial statements on pages 24 to 49 were approved and authorised for issue by the Governing Body of the Potteries Educational Trust on 14 December 2017 and were signed on its behalf on that date by:

Signed



M Jones

Chair of Potteries Educational Trust

Signed



M Kent

Accounting Officer

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE
Financial Statements for the Period Ended 31 August 2017

Statement of Cash Flows

	Notes	13 month period ended 31 August 2017 (Pre transfer) £'000	Year ended 31 July 2016 £'000
Operating activities			
(Deficit)/surplus for the year		(875)	411
Adjustment for :			
Depreciation	9	834	756
Interest receivable	4	(10)	(65)
Interest payable	7	1,294	281
Loss on sale of fixed assets		19	53
Deferred capital grants released to income	2	(598)	(544)
(Decrease)/increase in provisions	14	(12)	2
Pensions costs less contributions payable	18	119	80
(Decrease)/increase in restricted reserves		(1)	(1)
		<u>770</u>	<u>973</u>
Operating cashflow before movement in working capital			
Decrease/(increase) in stocks		15	(12)
Decrease in debtors	10	82	28
(Decrease)/increase in creditors due within one year	11	(186)	56
Net cash flow from operating activities		<u>681</u>	<u>1,045</u>
Cash flows from investing activities			
Interest receivable	4	10	65
Payments made to acquire fixed assets	9	(344)	(689)
		<u>(334)</u>	<u>(624)</u>
Cash flows from financing activities			
Interest paid	7	(1,216)	(195)
Repayments of amounts borrowed		(2,942)	(80)
		<u>(4,158)</u>	<u>(275)</u>
Increase / (decrease) in cash and cash equivalents in the		<u>(3,811)</u>	<u>146</u>
 Cash and cash equivalents at beginning of the year	20	6,669	6,523
 Cash and cash equivalents at end of the year	20	2,858	6,669