

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. These financial statements cover the 13 month period from 1 August 2016 to 31 August 2017. The College formally transferred its assets and liabilities to a Multi Academy Trust at 23.59 on 31 August 2017, however these accounts are drawn up immediately prior to transfer.

General information

The City of Stoke on Trent Sixth form College is a corporation established under the Further and Higher Education Act 1992 as an English sixth form college. The address for the College's principal place of business is given on page 16. The nature of the College's operations are set out in the Report of the Governing Body.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102) under the historical cost convention. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented in sterling which is also the financial currency of the College. The monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Going concern

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

The College paid off its bank loan during the year and has a healthy cash balance and significant reserves.

The Corporation was dissolved with effect from 1 September 2017 and converted to a multi academy trust with all assets and liabilities transferred at their carrying value 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.

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

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

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee income

The College receives no income from tuition fees.

Investment income

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

Agency arrangements

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

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

Staffordshire County Council Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Freehold buildings - 50 years
- Long leasehold buildings - over the remaining lease term
- Refurbishments - 50 years

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued 2010, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 August. They are not depreciated until they are brought into use.

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

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

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

- technical equipment 4 years
- computer equipment 4 years
- furniture, fixtures and fittings 8 years

The College does not own motor vehicles.

Borrowing costs

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

Leases

Rental income from assets leased under operating leases is recognised on a straight line basis over the lease term. Lease premiums are accounted for as other income and recognised on a straight line basis over the lease term.

Financial Instruments

The College has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the College becomes a party to the contractual provisions of the instrument.

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

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College receives no similar exemption in respect of Value Added Tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Capital costs and non-pay expenditure is therefore shown inclusive of VAT with partial recovery netted off against these figures.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

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

2 Funding body grants	13 month period ended 31 August	Year ended 31 July
	2017	2016
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency – 16 -18	6,645	6,854
Specific grants		
Education and Skills Funding Agency – 16 -18	115	55
Releases of government capital grants	598	544
Total	7,358	7,453

3 Other income	13 month period ended 31 August	Year ended 31 July
	2017	2016
	£'000	£'000
Other grants and contracts	558	202
Total	558	202

4 Investment income	13 month period ended 31 August	Year ended 31 July
	2017	2016
	£'000	£'000
Income from bank deposits	10	65
Net return on pension scheme (note 19)	-	-
Total	10	65

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

5 Staff costs and key management personnel remuneration

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

	13 month period ended 31 August 2017 No.	Year ended 31 July 2016 No.
Teaching staff	63	63
Non-teaching staff	58	49
	<u>121</u>	<u>112</u>
Staff costs for the above persons		
	13 month period ended 31 August 2017 £'000	Year ended 31 July 2016 £'000
Wages and salaries	3,932	3,610
Social security costs	373	293
Other pension costs (including FRS102 adjustments of £119,000 – 2016 £80,000)	696	626
	<u>5,001</u>	<u>4,529</u>
Payroll sub total		
Contracted out staffing services	3	4
	<u>5,004</u>	<u>4,533</u>
Restructuring costs – Contractual	12	-
	<u>5,016</u>	<u>4,533</u>
Total Staff costs		

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which comprises the Principal, Deputy Principal, Director of Finance and Resources and two Assistant Principals. There has been no compensation paid to key management personnel for loss of office.

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

Emoluments of key management personnel, Accounting Officer and other higher paid staff

	13 month period ended 31 August 2017 No.	Year ended 31 July 2016 No.
The number of key management personnel including the Accounting Officer was:	6	6

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions and employer's national insurance but including benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	13 month period ended 31 August 2017 No.	Year ended 31 July 2016 No.	13 month period ended 31 August 2017 No.	Year ended 31 July 2016 No.
£1 to £10,000 p.a.	1	1	-	-
£30,001 to £40,000 p.a.	-	1	-	-
£40,001 to £50,000 p.a.	-	1	-	-
£50,001 to £60,000 p.a.	1	-	-	-
£60,001 to £70,000 p.a.	2	2	-	-
£70,001 to £80,000 p.a.	1	1	-	-
£100,001 to £110,000	1	-	-	-
	<u>6</u>	<u>6</u>	<u>-</u>	<u>-</u>

Key management personnel (including the Accounting Officer) compensation is made up as follows:

	13 month period ended 31 August 2017 £'000	Year ended 31 July 2016 £'000
Salaries	338	291
Employers National Insurance	39	32
Benefits in kind	-	-
	<u>377</u>	<u>323</u>
Pension contributions	55	46
Total key management personnel emoluments	<u>432</u>	<u>369</u>

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid member of key management personnel of:

	13 month period ended 31 August 2017 £'000	Year ended 31 July 2016 £'000
Salaries – August 2015 (Previous Principal)	-	9
Salaries – September 2015 to December 2015 (Acting Principal)	-	35
Salaries – From January 2016 (New Principal)	107	62
Benefits in kind	-	-
	<u>107</u>	<u>106</u>
Pension contributions	16	15
Total	<u>123</u>	<u>121</u>

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

6 Other operating expenses

	13 month period ended 31 August 2017 £'000	Year ended 31 July 2016 £'000
Teaching costs	85	144
Non-teaching costs	1,059	1,071
Premises costs	513	524
Total	<u>1,657</u>	<u>1,739</u>

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

Surplus before tax is stated after charging/(crediting):	13 month period ended 31 August 2017 £'000	Year ended 31 July 2016 £'000
Auditors' remuneration:		
Financial statements audit	19	18
Internal audit	9	6
Other services provided by the external auditors	3	-
Losses on disposal of tangible fixed assets	12	53
Hire of assets under operating leases	-	2

7 Interest and other finance costs

	13 month period ended 31 August 2017 £'000	Year ended 31 July 2016 £'000
On bank loans, overdrafts and other loans:	-	195
	-	195
Net interest on defined pension liability (note 19)	78	86
Exceptional loan break fee charge	1,216	-
Total	1,294	281

8 Taxation

	13 month period ended 31 August 2017 £'000	Year ended 31 July 2016 £'000
Total	-	-

The members do not believe that the College was liable for any corporation tax arising out of its activities during either year.

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

9 Tangible fixed assets

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Short and long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	28,658	2,087	3,024	544	34,313
Additions	-	-	281	63	344
Disposals	-	-	(176)		(176)
Transfer	607	-	-	(607)	-
At 31 August 2017	29,265	2,087	3,129	-	34,481
Depreciation					
At 1 August 2016	3,674	494	2,558	-	6,726
Charge for the 13 month period	580	37	218	-	835
Elimination in respect of disposals	-	-	(164)	-	(164)
At 31 August 2017	4,254	531	2,612	-	7,397
Net book value at 31 August 2017	25,011	1,556	517	-	27,084
Net book value at 31 July 2016	24,984	1,593	466	544	27,587

Leasehold interests in Fenton Manor Sports Hall (cost - £750,000 and NBV - £272,916) and Staffordshire University Science Centre (cost - £1,337,000 and NBV - £1,282,716) provide for use of certain facilities at specified times free of charge for periods of 30 years and 125 years respectively. The depreciation charge is over the life of the lease.

The College has elected to retain previous valuations as deemed cost and so continue to use the 'frozen' valuations on adoption of FRS 102. Accordingly the book values at implementation have been retained. £180,000 of land is held at valuation. If the assets had not been revalued they would have been included at historical cost of £Nil.

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

10 Trade and other receivables

	13 month period ended 31 August 2017	Year ended 31 July 2016
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	9	39
Prepayments and accrued income	120	158
Total	129	197

11 Creditors: amounts falling due within one year

	13 month period ended 31 August 2017	Restated Year ended 31 July 2016
	£'000	£'000
Bank loans and overdrafts	-	84
Trade creditors	140	171
Other creditors	70	68
Other taxation and social security	86	90
Accruals and deferred income	180	758
Government grants - capital	502	507
Government grants - revenue	304	-
Amounts owed to the ESFA	552	405
Total	1,834	2,083

Note 22 sets out the re-classification of the prior years figures in respect of the short term/long term split of the lease premium included in accruals and deferred income.

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

12 Creditors: amounts falling due after one year

		Restated
	13 month period ended 31 August 2017 £'000	Year ended 31 July 2016 £'000
Bank loans	-	2,858
Accruals and deferred income	803	810
Government grants - capital	17,344	17,936
Total	18,147	21,604

13 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	13 month period ended 31 August 2017 £'000	Year ended 31 July 2016 £'000
In one year or less	-	84
Between one and two years	-	91
Between two and five years	-	308
In five years or more	-	2,459
Total	-	2,942

The £2,942,000 was an unsecured long term bank loan amortising over 22.5 years at a fixed interest rate of 6.415%. In August 2016 the College repaid the outstanding long term loan balance in full.

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

14 Provisions for liabilities

	Defined benefit obligations (note 19)	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2016	3,058	276	3,334
Amounts utilised	(189)	(22)	(753)
Additions in period charged to income and expenditure	(511)	10	(48)
At 31 August 2017	2,358	264	2,533

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:

	13 month period ended 31 August 2017	Year ended 31 July 2016
Price inflation	2.30%	2.30%
Discount rate	1.30%	1.30%

15 Financial instruments

The College has the following financial instruments

	13 month period ended 31 August 2017 £'000	Year ended 31 July 2016 £'000
Financial assets		
Financial assets measured at amortised cost	13	175
Financial liabilities		
Financial liabilities measured at amortised cost	272	3,670

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

16 Capital and other commitments

	13 month period ended 31 August 2017 £'000	Year ended 31 July 2016 £'000
Commitments contracted for at 31 August	-	79

17 Lease obligations

At 31 August the College had no lease payments under non-cancellable operating leases

18 Defined benefit obligations

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

Total pension cost for the year

	13 month period ended 31 August 2017 £000	Year ended 31 July 2016 £000
Teachers' Pension Scheme: contributions paid	443	379
Local Government Pension Scheme:		
Contributions paid	152	139
FRS 102 (28) charge	119	80
Charge to the Statement of Comprehensive Income	271	219
Movement on pension element of holiday pay accrual	(28)	6
Enhanced pension charge to Statement of Comprehensive Income	10	22
Total Pension Cost for Year within staff costs	696	626

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

The pension costs are assessed in accordance with advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £(68,151) credit, (2016 £68,125) were payable to the scheme at 31st August and are included within other creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. 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.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

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:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) 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 was 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.

The pension costs paid to TPS in the year amounted to £443,000 (2016: £379,000)

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

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 contributions made for the period ended 31 August 2017 were £252,000, of which employer's contributions totalled £189,000 and employees' contributions totalled £63,000. The agreed contribution rates for future years are 16.60% for employers and range from 5.5% to 9.9% for employees, 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 August 2017 by a qualified independent actuary.

	At 31 August 2017	At 31 July 2016
Rate of increase in salaries	2.80%	3.90%
Future pensions increases	2.40%	1.90%
Discount rate for scheme liabilities	2.50%	2.40%
Inflation assumption (CPI)	2.40%	1.90%
Commutation of pensions to lump sums	75%	75%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 August 2017 years	At 31 July 2016 years
<i>Retiring today</i>		
Males	22.10	22.10
Females	24.40	24.30
<i>Retiring in 20 years</i>		
Males	24.10	24.30
Females	26.40	26.60

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

The College's share of the assets in the plan at the 31 August 2017 were:

	Fair Value at 31 August 2017 £'000	Fair Value at 31 July 2016 £'000
Equity instruments	4,577	3,953
Debt instruments	723	513
Property	482	411
Cash	241	257
Total fair value of plan assets	6,023	5,134
 Actual return on plan assets	 610	 422

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	(308)	(246)
Total	(308)	(246)

Amounts included in investment income

Net interest on net defined benefit pension liability	(78)	(86)
	(78)	(86)

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	8,192	6,790
Current service cost	308	246
Interest cost	216	248
Contributions by Scheme participants	63	60
Experience gains and losses on defined benefit	(532)	(55)
Changes in demographic/financial assumptions	245	1,018
Estimated benefits paid	(111)	(115)
Defined benefit obligations at end of period	8,381	8,192

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

Changes in fair value of plan assets

Fair value of plan assets at start of period	5,134	4,439
Interest on plan assets	138	162
Return on plan assets (excluding net interest on the net defined benefit liability)	610	422
Employer contributions	189	166
Contributions by Scheme participants	63	60
Estimated benefits paid	(111)	(115)
Fair value of plan assets at end of period	6,023	5,134

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

19 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.

Key management compensation disclosure is given in note 5.

20 Amounts disbursed as agent

	13 month period ended 31 August 2017	Year ended 31 July 2016
	£000's	£000's
Learner support funds		
Balance b/fwd	406	299
Funding body grants – bursary support	439	369
Interest earned		-
	845	668
Disbursed to students	(280)	(249)
Administration costs	(13)	(13)
	552	406
Balance unspent as at 31 August, included in creditors		

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

22 Prior period adjustment

In previous years the lease premium received had been shown within short term creditors. However the premium relates to a 130 year lease and is being released over the term of the lease and therefore should be split between short term and long term creditors. A prior year adjustment has been made to restate the prior year's figure consistently. There is no impact on financial performance, overall reserves or cashflows. The impact on the Colleges balance sheet is noted below.

	At 31 July 2016	Impact
	As previously stated	
	£000's	£000's
Creditors – amount falling due within one year	(2,893)	810
Net current assets	4,003	810
Creditors – amount falling due after more than one year	(20,794)	(810)

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF POTTERIES EDUCATIONAL TRUST IN RESPECT OF CITY OF STOKE SIXTH FORM COLLEGE, AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 4 October 2017 and further to the requirements of the Funding Agreement published by the Education Funding Agency to obtain limited assurance about whether the expenditure disbursed and income received by City of Stoke Sixth Form College (the 'Dissolved College') during the period 1 August 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period [insert the start date of the period for which the annual report and financial statements have been prepared] has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. 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 Education and Skills Funding Agency has other assurance arrangements in place.

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

Responsibilities of the governing body of Potteries Educational Trust in respect of City of Stoke Sixth Form College for regularity

The governing body of the Dissolved College was responsible, under the funding agreement and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The governing body of Potteries Educational Trust is responsible for preparing the Governing body's Statement of Regularity, Propriety and Compliance.

CITY OF STOKE ON TRENT SIXTH FORM COLLEGE

Financial Statements for the Period Ended 31 August 2017

Reporting accountant's responsibilities for reporting on regularity

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice 2016 to 2017.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently, a limited assurance engagement does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 August 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

This report is made solely to the corporation of Potteries Educational Trust in respect of City of Stoke Sixth Form College, and the Secretary of State for Education acting through the Department for Education in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Governing Body of Potteries Educational Trust, in respect of City of Stoke Sixth Form College, and the Secretary of State for Education acting through the Department for Education 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 Potteries Educational Trust and the Secretary of State for Education acting through the Department for Education for our work, for this report, or for the conclusion we have formed.

RSM UK AUDIT LLP

Chartered Accountants

One City Place

Queen Street

Chester. CH1 3 BQ

14 December 2017