

Registration number: 10647453

# Potteries Educational Trust

(A company limited by guarantee)

Annual Report and Financial Statements

for the Year Ended 31 August 2019

Beever and Struthers  
St George's House  
215-219 Chester Road  
Manchester  
M15 4JE



## **Potteries Educational Trust**

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## **Potteries Educational Trust**

### **Reference and Administrative Details**

<b>Members</b>	M Jones Professor L Barnes M Herbert T McMillan I Starkie
<b>Trustees (Directors)</b>	S Ascroft (resigned 22 March 2019) M Astley K Clarke (resigned 31 October 2018) C Freeman P Gavin D Hopwood (resigned 31 October 2018) J Hunter M Johnstone (resigned 31 October 2018) M Jones, Chairman M Kent P Mangnall J Smart K Smith
<b>Company Secretary</b>	S Hawley
<b>Senior Management Team</b>	M Kent, Principal M Marshall, Deputy Principal S Murfin (resigned 31 August 2019), Director of Finance and Resources R Jablonski (Interim Anthony Gribben-Lisle), Assistant Principal C Gaygan, Assistant Principal E Swann, Director of TLA (STEM) P McPherson, Director of TLA (SPL,HSC) G Willis, Director of TLA (CAP)
<b>Principal and Registered Office</b>	C/O City of Stoke on Trent Sixth Form College Leek Road Stoke-On-Trent Staffordshire ST4 2RU

## **Potteries Educational Trust**

### **Reference and Administrative Details (continued)**

**Company Registration Number** 10647453

**Auditors** Beever and Struthers  
St George's House  
215-219 Chester Road  
Manchester  
M15 4JE  
22 August 2018

**Bankers** National Westminster Bank  
Stoke on Trent  
Churchill House  
Regent Street  
Stoke on Trent  
ST1 5SJ  
  
Santander  
Bootle  
Merseyside  
L30 4GB

**Solicitors** Main (Local)  
Freeths LLP  
Federation House  
Station Road  
Stoke on Trent  
ST4 2SA  
  
Academy Advice and Conversion  
Browne Jacobson  
Victoria House  
Victoria Square  
Birmingham  
B2 4BU

## **Potteries Educational Trust**

### **Trustees' Report for the Year Ended 31 August 2019**

The Trustees present their annual report together with the financial statements and auditors' report of the charitable company for the year ended 31 August 2019. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The MAT operates the City of Stoke on Trent Sixth Form College. The College was first opened in 1970 to provide education to students aged 16-19 from schools within Stoke on Trent and North Staffordshire. It is located at the centre of the University Quarter and shares key science facilities with Staffordshire University. It also owns playing fields at Fenton Manor and has shared facilities within Fenton Manor Sports Hall. It has a capacity of 1,700 students and had 1,558 funded students at the census date in October 2019. It also provided a foundation degree programme for 50 students from Staffordshire University.

During the year 2018/2019 the Trust operated as an empty MAT with one associate member, Biddulph High School. Biddulph High School formally became part of the Trust on 1st September 2019 and so The Potteries Educational Trust now has two member academies. Moorside High School and Werrington Primary School became Associate Member schools during the year. Both schools are maintained and part of Staffordshire County Council Local Authority. There have been joint staff development and management meetings to discuss progress towards the eventual joining as part of the MAT. There has been joint meetings of key managers to discuss risk registers and strategic objectives. There have been a range of financial related activities with all Associate Members during the year.

#### **Structure, governance and management**

##### ***Constitution***

The MAT is a company limited by guarantee and is an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Multi Academy Trust. The company registration number is 10647453.

The governors act as the trustees for the charitable activities of Potteries Educational Trust and are also the directors of the charitable company for the purposes of company law. The charitable company is known as Potteries Educational Trust.

Details of the trustees who served throughout the year except as noted are included in the Reference and Administrative Details on page 1.

##### ***Members' liability***

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he/she ceases to be a member.

##### ***Trustees' indemnities***

Trustees benefit from indemnity insurance purchased at the trust's expense to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of negligence, default or breach of duty of which they may be guilty in relation to the Multi Academy Trust, provided that any such insurance shall not extend to any claim arising from any act or omission which the Trustees knew to be a breach of trust or breach of duty or not, and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Trustees in their capacity as Directors of the MAT.

## **Potteries Educational Trust**

### **Trustees' Report for the Year Ended 31 August 2019 (continued)**

#### ***Method of recruitment and appointment or election of Trustees***

Eligibility to act as a Trustee of the MAT is within the Constitutional Framework and Clauses 45-80 of the Articles of Association.

The Search Committee has an on-going policy of attracting Trustees with a range of skills and background to provide the Multi Academy Trust with the best possible advice and support.

#### ***Policies and procedures adopted for the induction and training of Trustees***

The majority of training and induction provided for each new Trustee will be based on a core programme and induction pack supplemented by additional content depending on their existing skills and experience and where necessary will provide training on charity, educational, legal and financial matters. In-house training with specialist staff is provided prior to Trustee meetings. An annual conference is held to update Trustees on latest developments in the sector and the possible impact on the Trust. An annual skills audit is undertaken to identify gaps.

#### ***Organisational structure***

The Trustees are responsible for setting general policy, adopting an annual strategic plan and budget, monitoring performance and appointment of Senior Postholders. The Principal and Director of Finance and Resources are Senior Postholders.

The Senior Management Team (SMT) for the year 2018-19 for the City of Stoke-on-Trent Sixth Form College consisted of:

- Principal (Accounting Officer)
- Deputy Principal
- Director of Finance and Resources
- Assistant Principal – Curriculum
- Assistant Principal – Student Services
- 3 Directors of Teaching, Learning and Assessment (TLA)

SMT control their own organisations within the MAT at an executive level implementing policies laid down by the Trustees and reporting back to them. As a group they are responsible for the authorisation of spending within approved budgets and the appointment of staff.

There is also a College Management Team consisting of curriculum and support managers, in addition to the SMT, the aim of which is to devolve responsibility and encourage decision making at all levels. This group also reviews Risk Management within the organisation.

In 2018-2019 the Trust implemented an Executive Group to provide strategic leadership to the Trust. The Executive Group comprises the Chief Executive, the Headteacher of the Member Academy and the Headteachers of Associate Member schools.

#### ***Arrangements for setting pay and remuneration of key management personnel***

Trustees make decisions on pay levels for senior postholders upon the recommendation of the Remuneration Committee. These are based on national and sector benchmarks as well as performance of individuals. Levels of pay for other senior managers are also based on the same criteria.

## **Potteries Educational Trust**

### **Trustees' Report for the Year Ended 31 August 2019 (continued)**

#### ***Connected organisations, including related party relationships***

The Potteries Educational Trust works in partnership with local schools and in particular SASCAL, a headteachers group within the City of Stoke on Trent.

Biddulph High School are an associate member of the Trust and made a formal decision to become a full member of the Potteries Educational Trust with effect from 1 September 2019. Moorside High School and Werrington Primary School became Associate Members during the Summer Term 2019. Other members are actively being sought and further growth of the Trust is expected over 2019 – 2022.

The Potteries Educational Trust recognises the importance of relationships with all of these bodies as well as a range of stakeholders and engages with them on a regular basis. There have been a variety of financial transactions between the Trust and its Associate Members as we develop services using expertise throughout the Trust.

#### **Objectives and activities**

##### ***Objects and aims***

The Potteries Educational Trust is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The Directors, who are Trustees of the charitable company are disclosed on page 1.

In setting and reviewing the MAT's objectives, the Trustees 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 MAT 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)

## **Potteries Educational Trust**

### **Trustees' Report for the Year Ended 31 August 2019 (continued)**

#### ***Objectives, strategies and activities***

The college strategic priorities remain unchanged in 2019-20, namely;

- First choice provider of 16-19 education
- High quality learner experience and support structure.
- Excellent study programmes that prepare students for progression to desirable destinations.

The core college Teaching Learning & Assessment priorities also remain unchanged, as the core of any educational provision;

- Challenge
- Feedback
- Independent study

The priorities detailed below flow from the cross college Quality Improvement Plan (QIP) and team QIPs;

- Increase consistency of high quality student learning experience across A Level subjects, so that a larger proportion achieve their Minimum Expected Grade.
- Increase the consistency of high impact and structured independent study.
- Increase recruitment to high quality minority subjects, for example Modern Foreign Languages where results demonstrate that we are an outstanding provider.
- Further develop the opportunities created by new systems to enhance student progress. In particular CEDAR to use progress data more effectively in Planning for Learning (PfL).
- To continue to review and develop the college estate so that the 10 year strategy is responsive to student learning needs.
- To ensure the customary review of study programmes maintains the efficacy of vocational provision in the climate of new T Levels, new BTEC 2016 RQF qualifications and the DfE agenda regarding vocational qualifications.

#### **Finance Objectives**

The Trust 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 Trust.

In addition the Trust 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.
- 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 Trust wishes to maintain the confidence of funders, suppliers, bankers and auditors whilst also raising the awareness of trust staff of the financial environment under which it operates.

## **Potteries Educational Trust**

### **Trustees' Report for the Year Ended 31 August 2019 (continued)**

#### ***Public benefit***

The Potteries Educational Trust is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The Directors, who are Trustees of the charitable company are disclosed on page 2.

In setting and reviewing the MAT's objectives, the Trustees 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.

## **Potteries Educational Trust**

### **Trustees' Report for the Year Ended 31 August 2019 (continued)**

#### **Strategic Report**

##### **Achievements and performance**

###### ***Key non-financial performance indicators***

The college has achieved a significant improvement in its key academic target of improving A Level results for students, demonstrated by:

- 5% improvement in the Higher Grades of A\*-B
- 7% improvement in A\*-C grades
- 5 out of 5 students achieved their Oxbridge places with a continuing high proportion achieving desirable destinations, including Russell Groups and selective institutions for performing Arts and Medicine, Dentistry and Veterinary, including Nursing.
- 14 subjects improved their ALPs banding, the more aspirational VA measure.
- 62% of EPQ students achieving an A-A\* grade.

With all A Level subjects now being assessed by linear qualifications with reduced coursework and terminal examinations, the college was pleased to announce on results day that;

- 1143 A Level entries achieve a 96% pass rate, maintaining previous standards.
- 35% of entries at A Level achieved the highest grades of A\*-B
- 199 A\* (or equivalent) grades achieved this year
- 60% of A Level subjects achieving 100% pass rate
- Impressive performance in Biological Sciences (Biology, Chemistry and Psychology) with in excess of 40% high grades awarded
- Outstanding high grades achieved in the college's unique offer of specialist subjects including Geology, Further Maths, Computer Science, German, French and Spanish
- Strong performances in Art, Geography, Media, PE, Product Design, Religious Studies, Psychology and Sociology

The college has been an early adopter of the new reformed BTEC qualifications that contain an externally assessed examination. In these more challenging qualifications the college has again performed impressively;

- We have maintained an impressive 98% pass rate across BTEC courses with 52% achieving the coveted Distinction grades
- Excellent performance in a number of individual BTEC subjects including Applied Science, Health & Social Care, Graphics, Public Services, Performing Arts and Computing

###### ***Going concern***

After making appropriate enquiries, the Trust Board has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

## **Potteries Educational Trust**

### **Trustees' Report for the Year Ended 31 August 2019 (continued)**

#### **Strategic Report**

##### **Financial review**

The MAT receives the majority of its funding from the Education and Skills Funding Agency (the ESFA) in the form of recurrent grant paid on a monthly basis. The grant received during the period is shown as 'Restricted Funds' in the Statement of Financial Activities.

The MAT also benefits from a Devolved Formula Capital Grant which is used for maintenance projects and investment in resources.

The MAT has accumulated reserves of £23,961,000 and cash and short term investment balances of £3,565,000. The MAT accumulated reserves in order to create a contingency fund for a future capital development to deliver the T Level Courses. This capital project will commence in early 2020 and will ensure sustainability in the delivery of T Level Programmes.

Tangible fixed asset funds total £25,934,000 and movements during the year are shown in note 11 to the financial statements.

The MAT currently has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants.

##### ***Reserves policy***

The Board of Trustees recognise the importance of reserves in the financial stability of any organisation, and ensures there are adequate reserves to support the MAT's core activities. This review encompasses the nature of the income and expenditure streams, the need to match income with commitments and the nature of the reserves. Due to funding restraints and increasing cost pressures this is becoming more challenging.

The Trust wishes to continue to accumulate reserves and cash balances to enable future capital developments and cushion the effects of any further decreases in real terms funding levels. Plans for a building extension are currently being developed to accommodate anticipated increases in future learner numbers as well as specialist facilities for higher education level learners. This is expected to cost around £1.85m. Reserves will contribute to the cost of this as well as a T Level Capital Grant. In addition discussions are also taking place with partner organisations to develop further sports facilities to replace those at Fenton Manor following either the end of the current period or early termination outside of the control of the Trust.

Any schools joining the Trust will adhere to the Trust reserves policy which states that reserves will not be pooled and Local Governing Bodies will have authority over how those school reserves will be spent.

##### ***Investment policy***

Treasury management is the management of the MAT's cash flows, banking and money market transactions; the effective control of the risks associated with these activities; and the pursuit of optimum performance consistent with the associated risks. The MAT has a separate Treasury Management policy in place.

During the period there was no short term borrowing for temporary revenue purposes and the MAT has no outstanding bank loans. All borrowing requires the authorisation of the Trustees and must comply with the requirements of the Funding Agreement agreed with the ESFA.

## **Potteries Educational Trust**

### **Trustees' Report for the Year Ended 31 August 2019 (continued)**

#### **Strategic Report**

##### ***Principal risks and uncertainties***

The Trust 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 Trust's assets and reputation.

Based on the strategic plan, the Senior Management Team and wider Risk Management Group undertake regular comprehensive reviews of the risks to which the MAT is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the MAT. 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 annual reviews, the Senior Leadership Team and Trust Audit Committee also consider any risks which may arise as a result of a new area of work being undertaken by the MAT.

A detailed risk register is maintained at MAT and 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 Trust 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 MAT.

##### **Government Funding**

The MAT has considerable reliance on continued government funding through the education sector funding bodies. 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. Demographic trends also have a significant impact on recurrent funding.

The MAT 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. Significant increases in learner numbers would potentially have an in-year impact on staffing requirements, especially teaching.
- The adverse effect on funding of the continued cuts in public spending through stagnation of funding rates and non-funding of learner number growth.
- The uncertainty of the continuation of teacher pay and pensions grants and the methodology in which these are formulated for each Academy within the Trust. This risk is mitigated in a number of ways:
  - Funding is derived through a number of direct and indirect contractual arrangements.
  - By ensuring the MAT 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 MAT is focused on those priority sectors which will continue to benefit from public funding.

## **Potteries Educational Trust**

### **Trustees' Report for the Year Ended 31 August 2019 (continued)**

#### **Strategic Report**

##### **Fundraising**

The academy trust does not use any external fundraisers. All fundraising undertaken during the year was monitored by the Trustees.

##### ***Plans for future periods***

The Trust remains concerned that future austerity plans will continue to impact negatively on the education sector.

The challenges faced by the sector include:

- Maintaining learner numbers in a period of reducing or stagnant demographics
- Developing the curriculum to meet the needs of learners with the introduction of linear courses
- Meeting the challenge of continued restrictions in funding
- Potential significant increases in employer payroll on-costs (NI and pensions)
- Maintaining the quality and experience for students despite real terms funding cuts
- Maintaining the current high reputation of the MAT
- Growth of the MAT and continued collaboration with schools and academies in the best interests of learners

##### **Resources**

The Trust has resources that it can deploy in pursuit of its strategic objectives:

- Established and well trained staff.
- It's reputation as an organisation that achieves excellent results, together with high quality learner support
- Excellent facilities and physical resources.

##### **Events after the End of the Reporting Period**

There have been no significant or material events to report after the period end.

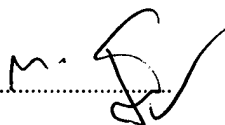
## **Potteries Educational Trust**

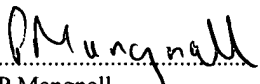
### **Trustees' Report for the Year Ended 31 August 2019 (continued)**

#### **Auditor**

Insofar as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

  
.....  
M Jones  
Chair of Trustees

  
.....  
P Mangnall  
Chair of Audit Committee

## **Potteries Educational Trust**

### **Governance Statement**

#### **Scope of responsibility**

As trustees, we acknowledge we have overall responsibility for ensuring that Potteries Educational Trust has an effective and appropriate system of control, financial and otherwise. 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 Board of Trustees has delegated the day-to-day responsibility to the CEO, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Potteries Educational Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

#### **Governance**

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met 5 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

<b>Trustee</b>	<b>Meetings attended</b>	<b>Out of a possible</b>
S Ascroft	3	3
M Astley	4	5
K Clarke	1	1
C Freeman	4	5
P Gavin	5	5
D Hopwood	0	1
J Hunter	4	5
M Johnstone	0	1
M Jones	5	5
M Kent	5	5
P Mangnall	5	5
J Smart	3	5
K Smith	2	5

**Potteries Educational Trust**  
**Governance Statement (continued)**

**Governance**

**Finance and Resources Committee**

The Finance and Resources Committee is a sub-committee of the main Board of Trustees. Its purpose is to assist the Board in the discharge of its responsibilities for:

- monitoring key performance indicators in all resources;
- monitoring the financial performance of the Trust;
- to achieve the effective management of Human Resource for the benefit of students and development of the Trust.

During the 2018-2019 financial year the Committee considered and made recommendations to the Trust Board to implement the College extension programme to support the delivery of T Levels and Higher Educational programmes from September 2020.

The Committee reviewed and made recommendations for a revised Scheme of Delegation to be adopted from 1 September 2019. Attendance at meetings during the year was as follows:

<b>Trustee</b>	<b>Meetings attended</b>	<b>Out of a possible</b>
C Freeman	5	5
J Hunter	4	5
J Smart	4	5
M Kent	5	5
K Clarke (Chair - resigned 31/10/18)	0	1

**Audit Committee**

The Audit Committee is a sub-committee of the main Board of Trustees. Its purpose is to assist the board in the discharge of its responsibilities for:

- ensuring adequacy and effectiveness of control systems and procedures including the areas of risk management;
- regularly reviewing the Trust Risk Register.

During the 2018-2019 financial year the Committee regularly reviewed the risk register and made recommendations as appropriate to the Trust Board.

The Committee reviewed the compliance of the Trust in relation to the “musts” indicated in the Academies Financial Handbook 2018/19. Attendance at meetings during the year was as follows:

<b>Trustee</b>	<b>Meetings attended</b>	<b>Out of a possible</b>
S Ascroft	2	2
P Gavin	3	3
P Mangnall	3	3
J Gething (Co-opted)	3	3

## **Potteries Educational Trust**

### **Governance Statement (continued)**

#### **Remuneration Committee**

The Remuneration Committee is also a sub-committee of the main Board of Trustees. The Committee has met three times during the year. Its purpose is to consider and advise on:

- the performance of the holders of senior posts as determined by the Board
- the remuneration, other terms and conditions of the holders of senior posts as determined by the Board.
- the appraisal of the holders of senior posts as determined by the Board.
- the staff development the holders of senior posts as determined by the Board.

During the 2018-2019 financial year the Committee reviewed the objectives and the performance of the Chief Executive Officer, The Chief Financial Officer, the Clerk to the Trust Board and the Headteacher of Biddulph High School and determined the remuneration of those posts accordingly.

Attendance at meetings in the year was as follows:

<b>Trustee</b>	<b>Meetings attended</b>	<b>Out of a possible</b>
J Durose	3	3
C Freeman	3	3
M Jones	3	3

#### **Teaching and Learning Committee**

The Teaching and Learning Committee is also a sub-committee of the main Board of Trustees. The Committee has met three times during the year. Its purpose is to assist the board in the discharge of its responsibilities for :

- monitoring the quality of the educational provision at the constituent institutions of the Potteries Educational Trust;
- monitoring the quality of teaching, learning and assessment within the Trust;
- monitoring the inclusiveness of the educational activities of the Trust.

Attendance at meetings in the year was as follows:

<b>Trustee</b>	<b>Meetings attended</b>	<b>Out of a possible</b>
M Astley	3	3
C Freeman	3	3
M Kent	2	3
K Smith	2	3
R Waller (co-opted from November 2018)	2	2

## Potteries Educational Trust

### Governance Statement (continued)

#### Local Governing Board

The Local Governing Board is a committee of the Board of Trustees. The constitution, membership and proceedings of the Local Governing Board is determined by the Board of Trustees and through the Scheme of Delegation.

The Trust operates on the basis of subsidiarity and where legally possible decisions are made at Local Governing Body level. The Local Governing Board for the City of Stoke-on-Trent Sixth Form College was evaluated at the end of the 2017-18 academic year and it was recommended to operate 2 sub-committees: Teaching and Learning and Finance and Resources. These sub-committees were implemented from September 2018 to focus on the detailed scrutiny and holding the executive to account for the City of Stoke-on-Trent Sixth Form College:

The Local Governing Board has formally met four times during the year. Attendance at the meetings of the Local Governing Board was as follows:

Name	Meetings attended	Out of a possible
K Barlow (Parent Governor, appointed 13 December 2018)	3	3
N Beech (resigned 5 February 2019)	1	2
B Belfield (Student Governor)	2	4
P Buren	3	4
B Caisley (Parent Governor, appointed 13 December 2018)	2	3
A Choudhury (student Governor)	3	4
J Durose (Chair)	4	4
G Eze	2	4
J Gething	4	4
G Hassell-Dendy (Staff Governor)	4	4
R Hewitt	3	4
M Kent	4	4
S McNichol (Staff Governor)	4	4
P Meakin	2	4
O Offeyi (resigned 13 December 2018)	1	2
R Waller	3	4
S Wyn-Williams (Vice Chair)	4	4

## **Potteries Educational Trust**

### **Governance Statement (continued)**

#### **Review of value for money**

As Accounting Officer the Chief Executive Officer has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the Trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where available. The Accounting Officer for the academy trust has delivered improved value for money during the year by:

- The Trust has outsourced payroll to a local provider to consolidate its growth with Biddulph High School formally joining the Trust, this has secured savings in this contract as well as efficiency savings for Finance Staff who previously ran payroll in house using a software solution which was a considerable cost.
- A full restructure of support staff services was carried out during the year resulting in a more streamlined service providing better value for money.
- A shared contract list was developed with all Trust Members and Associate Members to identify joint procurement opportunities to ensure savings and best value is applied to all future contract purchasing across the Trust.

#### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of academy trust 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 Potteries Educational Trust for the year ended 31 August 2019 and up to the date of approval of the annual report and financial statements.

#### **Capacity to handle risk**

The Board of Trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the year ended 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

#### **The risk and control framework**

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- regular reviews by the Finance and Resources Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;

## Potteries Educational Trust

### Governance Statement (continued)

- delegation of authority and segregation of duties;
- identification and management of risks.

The Board of Trustees has considered the need for a specific internal audit function and has decided:

- not to appoint an internal auditor. However the Trustees have appointed Mrs R Sherratt to perform a peer review and carry out a programme of internal checks

The reviewer's role includes giving advice on financial matters and performing a range of checks on the Multi-Academy Trust's financial systems. In particular the checks carried out in the current period included:

- testing of payroll systems
- testing of purchase systems
- testing of control account/ bank reconciliations

There were no material control or other issues reported by the Responsible Officer to date.


#### Review of effectiveness

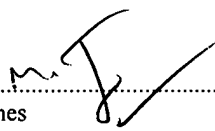
As Accounting Officer, the CEO has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the internal auditor;
- the work of the external auditor;
- the financial management and governance self assessment process;
- the work of the executive managers within the Multi-Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Audit Committee Finance and Resources Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board on 12/12/19 and signed on its behalf by:

  
.....  
M Kent  
Accounting Officer

  
.....  
M Jones  
Chair of Trustees

## Potteries Educational Trust

### Statement on Regularity, Propriety and Compliance

As Accounting Officer of Potteries Educational Trust I have considered my responsibility to notify the Board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2018.

I confirm that I and the Board of Trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2018.

I 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 Board of Trustees and ESFA.



.....  
M Kent  
Accounting Officer

Date: 12/12/19 .....

## Potteries Educational Trust

### Statement of Trustees' Responsibilities

The Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Academies Accounts Direction published by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

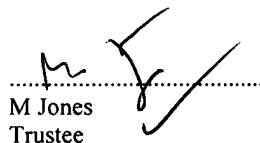
- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

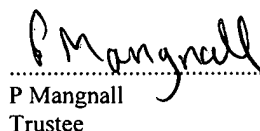
The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from ESFA/DfE have been applied for the purposes intended.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the Board on 12/12/19 and signed on its behalf by:

  
M Jones  
Trustee

  
P Mangnall  
Trustee

## **Potteries Educational Trust**

### **Independent Auditor's Report on the Financial Statements to the Members of Potteries Educational Trust**

#### **Opinion**

We have audited the financial statements of Potteries Educational Trust (the 'Academy Trust') for the year ended 31 August 2019, which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, Balance Sheet, 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 applicable law and 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'.

In our opinion the financial statements:

- give a true and fair view of the state of the Academy Trust's affairs at 31 August 2019 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2018 to 2019.

#### **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 Academy 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.

#### **Conclusions relating to going concern**

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

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

#### **Other information (covers the Reference and Administrative Details, the Trustees' Report and Strategic Report and the Governance Statement)**

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **Potteries Educational Trust**

### **Independent Auditor's Report on the Financial Statements to the Members of Potteries Educational Trust (continued)**

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.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Trustees' Report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Trustees' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of Trustees**

As explained more fully in the Statement of Trustees' Responsibilities set out on page 20, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees 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 Trustees are responsible for assessing the Academy Trust'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 Trustees either intend to liquidate the Academy Trust or to cease operations, or have no realistic alternative but to do so.

## **Potteries Educational Trust**

### **Independent Auditor's Report on the Financial Statements to the Members of Potteries Educational Trust (continued)**

#### **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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Academy Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Academy Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Academy Trust to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Academy Trust audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Potteries Educational Trust**

**Independent Auditor's Report on the Financial Statements to the Members of Potteries Educational Trust (continued)**

**Use of our report**

This report is made solely to the Academy Trust's Trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Academy Trust's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy Trust and its Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

*Beever and Struthers*

.....  
Sue Hutchinson (Senior Statutory Auditor)  
For and on behalf of Beever and Struthers, Statutory Auditor

St George's House  
215-219 Chester Road  
Manchester  
M15 4JE

Date: 19/12/19

## **Potteries Educational Trust**

### **Independent Reporting Accountant's Report on Regularity to Potteries Educational Trust and the Education & Skills Funding Agency**

In accordance with the terms of our engagement letter dated 22 August 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Potteries Educational Trust during the period 1 September 2018 to 31 August 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Potteries Educational Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we may state to Potteries Educational Trust and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Potteries Educational Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

#### **Respective responsibilities of the Governing Body's accounting officer and the reporting accountant**

The Accounting Officer is responsible, under the requirements of the Board of Trustees's funding agreement with the Secretary of State for Education dated and the Academies Financial Handbook extant from 1 September 2018, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are 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 Academies Accounts Direction 2018 to 2019. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year from 1 September 2018 to 31 August 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

#### **Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes:

- Review and testing of financial systems of internal control
- Sample testing of transactions
- Discussions with management

**Potteries Educational Trust**

**Independent Reporting Accountant's Report on Regularity to Potteries Educational Trust  
and the Education & Skills Funding Agency (continued)**

**Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year from 1 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*Beever and Struthers*

.....  
Sue Hutchinson

For and on behalf of Beever and Struthers, Chartered Accountants

St George's House  
215-219 Chester Road  
Manchester  
M15 4JE

Date:.....19/12/19

# Potteries Educational Trust

## Statement of Financial Activities for the Year Ended 31 August 2019 (including Income and Expenditure Account)

					2 March 17 to 31 August 18
	Note	Unrestricted Funds £ 000	Restricted General Funds £ 000	Restricted Fixed Asset Funds £ 000	2018/19 Total £ 000
<b>Income and endowments from:</b>					
Voluntary income					
Donations and capital grants	2	70	-	147	217
Transfer from City of Stoke Sixth Form College on conversion		-	-	-	25,329
<i>Charitable activities:</i>					
Funding for the Academy Trust's educational operations	3	-	7,560	-	7,560
Other trading activities	4	343	4	-	347
Investments	5	19	-	-	19
Total		432	7,564	147	8,143
<b>Expenditure on:</b>					
Raising funds	6	85	-	-	85
<i>Charitable activities:</i>					
Academy trust educational operations	7	315	7,384	591	8,290
Total		400	7,384	591	8,375
Net income/(expenditure)		32	180	(444)	(232)
Transfers between funds		(48)	-	48	-
<b>Other recognised gains and losses</b>					
Actuarial gain/(loss) on defined benefit pension schemes	24	-	(1,468)	-	(1,468)
Net movement in (deficit)/funds		(16)	(1,288)	(396)	(1,700)
<b>Reconciliation of funds</b>					
Total funds/(deficit) brought forward at 1 September 2018		994	(1,663)	26,330	25,661
Total funds/(deficit) carried forward at 31 August 2019		978	(2,951)	25,934	23,961

**Potteries Educational Trust**  
**(Registration number: 10647453)**  
**Balance Sheet as at 31 August 2019**

	Note	31 August 2019 £ 000	31 August 2018 £ 000
<b>Fixed assets</b>			
Tangible assets	11	25,934	26,310
<b>Current assets</b>			
Stocks	12	15	49
Debtors	13	258	125
Cash at bank and in hand		<u>3,565</u>	<u>2,870</u>
		3,838	3,044
Creditors: Amounts falling due within one year	14	<u>(1,405)</u>	<u>(945)</u>
Net current assets		<u>2,433</u>	<u>2,099</u>
Total assets less current liabilities		28,367	28,409
Creditors: Amounts falling due after more than one year	15	(791)	(798)
Provisions	16	<u>(244)</u>	<u>(252)</u>
Net assets excluding pension liability		27,332	27,359
Pension scheme liability	24	<u>(3,371)</u>	<u>(1,698)</u>
Net assets including pension liability		<u><u>23,961</u></u>	<u><u>25,661</u></u>
<b>Funds of the Academy:</b>			
<b>Restricted funds</b>			
Restricted general fund		420	35
Restricted fixed asset fund		25,934	26,330
Restricted pension fund		<u>(3,371)</u>	<u>(1,698)</u>
		22,983	24,667
<b>Unrestricted funds</b>			
Unrestricted general fund		<u>978</u>	<u>994</u>
Total funds		<u><u>23,961</u></u>	<u><u>25,661</u></u>

**Potteries Educational Trust**

**(Registration number: 10647453)**

**Balance Sheet as at 31 August 2019 (continued)**

The financial statements on pages 27 to 52 were approved by the Trustees, and authorised for issue on 12/12/19 and signed on their behalf by:

.....  
M Jones  
Chair of Trustees

.....  
M Kent  
Accounting Officer

**Potteries Educational Trust**

**Statement of Cash Flows for the Year Ended 31 August 2019**

	Note	31 August 2019 £ 000	2 March 17 to 31 August 18 £ 000
<b>Cash flows from operating activities</b>			
Net cash provided by operating activities	20	744	2,845
Cash flows from investing activities	21	<u>(49)</u>	<u>25</u>
Change in cash and cash equivalents in the year		695	2,870
Cash and cash equivalents at 1 September		<u>2,870</u>	<u>-</u>
Cash and cash equivalents at 31 August	22	<u><u>3,565</u></u>	<u><u>2,870</u></u>

## **Potteries Educational Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2019**

#### **1 Accounting policies**

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

##### **Basis of preparation**

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

##### **Going concern**

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

##### **Income**

All incoming resources are recognised when the academy trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

##### **Grants**

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised in full when there is an unconditional entitlement to the grant. Unspent amounts of capital grants are reflected in the balance sheet in the restricted fixed asset fund. Capital grants are spent on capital projects in line with the terms and conditions of the grant. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended.

##### **Donations**

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

## **Potteries Educational Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)**

#### **1 Accounting policies (continued)**

##### ***Other income***

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the academy trust has provided the goods or services.

##### ***Transfer on conversion***

Where assets and liabilities are received by the academy trust on conversion to an academy, the transferred assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the academy trust. An equal amount of income is recognised as transfer on conversion within Donations and capital grant income to the net assets received.

##### ***Expenditure***

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT.

##### ***Expenditure on raising funds***

This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

##### ***Charitable activities***

These are costs incurred on the academy trust's educational operations, including support costs and costs relating to the governance of the academy trust apportioned to charitable activities.

## Potteries Educational Trust

### Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)

#### 1 Accounting policies (continued)

##### Tangible fixed assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy Trust's depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset over its expected useful lives, per the table below.

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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

Asset class	Depreciation method and rate
Freehold buildings	50 years
Long leasehold buildings	Over the life of the lease
Refurbishments	50 years
Technical equipment	4 years
Computer equipment	4 years
Furniture, fixtures and fittings	8 years

##### Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

## **Potteries Educational Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)**

#### **1 Accounting policies (continued)**

##### ***Provisions***

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

##### ***Enhanced Pensions***

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

##### ***Leased assets***

Rentals under operating leases are charged on a straight line basis over the lease term.

##### ***Financial Instruments***

The academy trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the academy trust and their measurement basis are as follows:

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 13. Prepayments are not financial instruments. Amounts due to the charity's wholly owned subsidiary are held at face value less any impairment.

Cash at bank - is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 14 and 15. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to charity's wholly owned subsidiary are held at face value less any impairment.

##### ***Stock***

Bus passes are valued at the lower of cost or net realisable value.

##### ***Taxation***

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

Accordingly, the academy trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 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.

## **Potteries Educational Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)**

#### **1 Accounting policies (continued)**

##### **Pension benefits**

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes. The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded multi-employer scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities 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 other recognised gains and losses.

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

##### **Fund accounting**

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the academy trust at the discretion of the trustees.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Department for Education where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received and include grants from the Department for Education Group.

##### **Critical accounting estimates and areas of judgement**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## Potteries Educational Trust

### Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)

#### 1 Accounting policies (continued)

##### *Critical accounting estimates and assumptions*

The academy trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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 24, 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 31/08/2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

##### **Agency accounting**

The academy trust acts as an agent in distributing 16-19 bursary funds from ESFA. Payments received from ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in note 26.

#### 2 Donations and capital grants

	Unrestricted funds £ 000	Restricted fixed asset funds £ 000	2018/19 Total £ 000	2 March 17 to 31 August 18 Total £ 000
<b>Other voluntary income</b>				
Educational trips and visits	70	-	70	46
Capital grants	-	147	147	40
	<u>70</u>	<u>147</u>	<u>217</u>	<u>86</u>

## Potteries Educational Trust

### Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)

#### 3 Funding for the Academy Trust's educational operations

	Restricted funds £ 000	2018/19 Total £ 000	2 March 17 to 31 August 18 Total £ 000
<b>DfE/ESFA revenue grants</b>			
General Annual Grant (GAG)	6,575	6,575	6,105
Other DfE/ESFA grants	229	229	119
	<u>6,804</u>	<u>6,804</u>	<u>6,224</u>
<b>Other government grants</b>			
Local authority grants	319	319	37
Staffordshire University	295	295	268
	<u>614</u>	<u>614</u>	<u>305</u>
<b>Non-government grants and other income</b>			
Other income	142	142	-
	<u>142</u>	<u>142</u>	<u>-</u>
<b>Total grants</b>	<u>7,560</u>	<u>7,560</u>	<u>6,529</u>

#### 4 Other trading activities

	Unrestricted funds £ 000	Restricted funds £ 000	2018/19 Total £ 000	2 March 17 to 31 August 18 Total £ 000
Hire of facilities	1	-	1	4
Other sales	342	4	346	347
	<u>343</u>	<u>4</u>	<u>347</u>	<u>351</u>

#### 5 Investment income

	Unrestricted funds £ 000	2018/19 Total £ 000	2 March 17 to 31 August 18 Total £ 000
Short term deposits	19	19	8
	<u>19</u>	<u>19</u>	<u>8</u>

# Potteries Educational Trust

## Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)

### 6 Expenditure

	Non Pay Expenditure			2018/19	2 March 17 to
	Staff costs	Premises	Other costs	Total	31 August 18
	£ 000	£ 000	£ 000	£ 000	£ 000
<b>Expenditure on raising funds</b>					
Allocated support costs	-	-	85	85	3
<b>Academy's educational operations</b>					
Direct costs	4,486	-	590	5,076	4,696
Allocated support costs	1,142	1,140	932	3,214	2,841
	<u>5,628</u>	<u>1,140</u>	<u>1,607</u>	<u>8,375</u>	<u>7,540</u>

Net income/(expenditure) for the year includes:

	2018/19	2 March 17 to
	£ 000	31 August 18
	£ 000	£ 000
Depreciation	591	794
Fees payable to auditor - audit	10	10
- other audit services	3	3
(Gain)/loss on disposal of fixed assets	<u>-</u>	<u>(3)</u>

### 7 Charitable activities

	2018/19	2 March 17 to
	£ 000	31 August 18
	£ 000	£ 000
Direct costs - educational operations	5,076	4,696
Support costs - educational operations	3,214	2,841
	<u>8,290</u>	<u>7,537</u>

# **Potteries Educational Trust**

## **Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)**

### **7 Charitable activities (continued)**

	Educational operations £ 000	2018/19 Total £ 000	2 March 17 to 31 August 18 Total £ 000
<b>Analysis of support costs</b>			
Support staff costs	1,142	1,142	973
Depreciation	591	591	794
Technology costs	65	65	84
Premises costs	549	549	457
Other support costs	852	852	522
Governance costs	15	15	11
Total support costs	<u>3,214</u>	<u>3,214</u>	<u>2,841</u>

### **8 Staff**

#### **Staff costs**

	2018/19 £ 000	2 March 17 to 31 August 18 £ 000
<b>Staff costs during the year were:</b>		
Wages and salaries	4,337	3,925
Social security costs	419	381
Pension	860	814
	<u>5,616</u>	<u>5,120</u>
Supply staff costs	12	-
	<u>5,628</u>	<u>5,120</u>

#### **Staff numbers**

The average number of persons employed by the academy trust during the year was as follows:

	2018/19 No	2017/18 No
<b>Charitable Activities</b>		
Teachers	69	63
Administration and support	50	49
Management	8	8
	<u>127</u>	<u>120</u>

## Potteries Educational Trust

### Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)

#### 8 Staff (continued)

##### Higher paid staff

The number of employees whose emoluments exceeded £60,000 was:

	31 August 2019 No	31 August 2018 No
£60,001 - £70,000	1	1
£70,001 - £80,000	1	1
£90,001 - £100,000	1	1

##### Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the academy trust was £666,447 (2018: £638,000).

#### 9 Related party transactions - trustees' remuneration and expenses

One or more trustees has been paid remuneration or has received other benefits from employment with the academy trust. The principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment, and not in respect of their role as trustees.

During the year ended 31 August 2019, travel and subsistence expenses totalling £130 (2018 - £Nil) were reimbursed or paid directly to 1 trustees (2018 - 0).

Other related party transactions involving the trustees are set out in note 25.

#### 10 Trustees' and officers' insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £10,000,000 on any one claim and the cost for the year ended 31 August 2019 was £2,491.

The cost of this insurance is included in the total insurance cost.

# **Potteries Educational Trust**

## **Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)**

### **11 Tangible fixed assets**

	Freehold land and buildings £ 000	Leasehold land and buildings £ 000	Plant and equipment £ 000	Assets under construction £ 000	Total £ 000
<b>Cost</b>					
At 1 September 2018	25,023	1,556	463	-	27,042
Additions	-	-	85	130	215
At 31 August 2019	<u>25,023</u>	<u>1,556</u>	<u>548</u>	<u>130</u>	<u>27,257</u>
<b>Depreciation</b>					
At 1 September 2018	542	36	154	-	732
Charge for the year	<u>471</u>	<u>19</u>	<u>101</u>	<u>-</u>	<u>591</u>
At 31 August 2019	<u>1,013</u>	<u>55</u>	<u>255</u>	<u>-</u>	<u>1,323</u>
<b>Net book value</b>					
At 31 August 2019	<u>24,010</u>	<u>1,501</u>	<u>293</u>	<u>130</u>	<u>25,934</u>
At 31 August 2018	<u>24,481</u>	<u>1,520</u>	<u>309</u>	<u>-</u>	<u>26,310</u>

### **12 Stock**

	31 August 2019 £ 000	31 August 2018 £ 000
First Bus Tickets	<u>15</u>	<u>49</u>

### **13 Debtors**

	31 August 2019 £ 000	31 August 2018 £ 000
Trade debtors	29	1
VAT recoverable	117	23
Other debtors	-	7
Prepayments	<u>112</u>	<u>94</u>
	<u>258</u>	<u>125</u>

## Potteries Educational Trust

### Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)

#### 14 Creditors: amounts falling due within one year

	31 August 2019 £ 000	31 August 2018 £ 000
Trade creditors	410	88
Other taxation and social security	103	100
Other creditors	787	637
Accruals	84	113
Deferred income	21	7
	<u>1,405</u>	<u>945</u>

#### 15 Creditors: amounts falling due after one year

	31 August 2019 £ 000	31 August 2018 £ 000
Deferred income	<u>791</u>	<u>798</u>

	31 August 2019 £ 000	31 August 2018 £ 000
<b>Deferred income</b>		
Deferred income at 1 September 2018	805	810
Resources deferred in the period	14	-
Amounts released from previous periods	<u>(7)</u>	<u>(5)</u>
Deferred income at 31 August 2019	<u>812</u>	<u>805</u>

The deferred income is made up of the following:

£798k is in relation to funds received in advance from City of Stoke Council for the use of the sports playing field and is released annually over the lifetime of the lease (125 year lease).

£14k is money received for the Gambia and Washington trips taking place 19/20.

## Potteries Educational Trust

### Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)

#### 16 Provisions

	Enhanced pensions £ 000	Total £ 000
At 1 September 2018	252	252
Utilised during period	(8)	(8)
At 31 August 2019	244	244

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

#### 17 Funds

	Balance at 1 September 2018 £ 000	Incoming resources £ 000	Resources expended £ 000	Gains, losses and transfers £ 000	Balance at 31 August 2019 £ 000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	287	6,575	(6,246)	-	616
Other DFE/EFA Grants	-	229	(229)	-	-
Local Authority Grants	-	336	(336)	-	-
Other Income/Donations	-	424	(376)	-	48
Enhanced pension provision	(252)	-	8	-	(244)
	35	7,564	(7,179)	-	420
<b>Restricted fixed asset funds</b>					
Capital grants	40	-	-	-	40
Dfe/EFA grants	-	-	-	48	48
Transferred on conversion	26,290	147	(591)	-	25,846
	26,330	147	(591)	48	25,934
<b>Restricted pension funds</b>					
Pension fund	(1,698)	-	(205)	(1,468)	(3,371)
Total restricted funds	24,667	7,711	(7,975)	(1,420)	22,983
<b>Unrestricted funds</b>					
Unrestricted general funds	994	432	(400)	(48)	978
Total funds	25,661	8,143	(8,375)	(1,468)	23,961

# Potteries Educational Trust

## Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)

### 17 Funds (continued)

	Incoming resources £ 000	Resources expended £ 000	Gains, losses and transfers £ 000	Balance at 31 August 2018 £ 000
<b>Restricted general funds</b>				
General Annual Grant (GAG)	6,105	(5,818)	-	287
Other DFE/EFA Grants	119	(119)	-	-
Local Authority Grants	305	(305)	-	-
Other Income/Donations	48	(48)	-	-
Enhanced pension provision	(264)	12	-	(252)
	<u>6,313</u>	<u>(6,278)</u>	<u>-</u>	<u>35</u>
<b>Restricted fixed asset funds</b>				
Capital grants	40	-	-	40
Transferred on conversion	<u>27,084</u>	<u>(794)</u>	<u>-</u>	<u>26,290</u>
	27,124	(794)	-	26,330
<b>Restricted pension funds</b>				
Pension fund	<u>(2,358)</u>	<u>(238)</u>	<u>898</u>	<u>(1,698)</u>
Total restricted funds	31,079	(7,310)	898	24,667
<b>Unrestricted funds</b>				
Unrestricted general funds	<u>1,224</u>	<u>(230)</u>	<u>-</u>	<u>994</u>
Total funds	<u>32,303</u>	<u>(7,540)</u>	<u>898</u>	<u>25,661</u>

# Potteries Educational Trust

## Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)

### 18 Analysis of net assets between funds

Fund balances at 31 August 2019 are represented by:

	Unrestricted funds £ 000	Restricted general funds £ 000	Restricted fixed asset funds £ 000	Total funds £ 000
Tangible fixed assets	-	-	25,934	25,934
Current assets	1,776	2,062	-	3,838
Current liabilities	(7)	(1,398)	-	(1,405)
Creditors over 1 year	(791)	-	-	(791)
Provisions	-	(244)	-	(244)
Pension scheme liability	-	(3,371)	-	(3,371)
Total net assets	<u>978</u>	<u>(2,951)</u>	<u>25,934</u>	<u>23,961</u>

### 19 Commitments under operating leases

#### *Operating leases*

At 31 August 2019 the total of the academy trust's future minimum lease payments under non-cancellable operating leases was:

	31 August 2019 £ 000
Amounts due between one and five years	<u>11</u>

# Potteries Educational Trust

## Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)

### 20 Reconciliation of net (expenditure)/income to net cash inflow/(outflow) from operating activities

	2018/19 £ 000	2017/18 £ 000
Net (expenditure)/income	(232)	24,763
Depreciation	591	794
Capital grants from DfE and other capital income	(147)	(40)
Interest receivable	(19)	(8)
Defined benefit pension scheme cost less contributions payable	155	177
Defined benefit pension scheme finance cost	50	61
Decrease/(increase) in stocks	34	(49)
Increase in debtors	(133)	(125)
Increase in creditors	453	1,743
Loss on disposal of tangible fixed assets	-	3
Increase/(decrease) in provisions	(8)	252
Adjustment in respect of transfer in of existing academy trust	-	(24,726)
Net cash provided by Operating Activities	<u>744</u>	<u>2,845</u>

### 21 Cash flows from investing activities

	2018/19 £ 000	2017/18 £ 000
Dividends, interest and rents from investments	19	8
Purchase of tangible fixed assets	(215)	(22)
Proceeds from sale of tangible fixed assets	-	(1)
Capital funding received from sponsors and others	<u>147</u>	<u>40</u>
Net cash (used in)/provided by investing activities	<u>(49)</u>	<u>25</u>

### 22 Analysis of cash and cash equivalents

	31 August 2019 £ 000	31 August 2018 £ 000
Cash at bank and in hand	<u>3,565</u>	<u>2,870</u>
Total cash and cash equivalents	<u>3,565</u>	<u>2,870</u>

## **Potteries Educational Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)**

#### **23 Members' liability**

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he/she ceases to be a member.

#### **24 Pension and similar obligations**

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

The latest actuarial valuation of the TPS related to the period ended 31 March 2016 and of the LGPS 31 March 2016.

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

#### **Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS or scheme) is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). 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.

#### **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 Public Service Pensions Act (2013) 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 - contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

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.

## **Potteries Educational Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)**

#### **24 Pension and similar obligations (continued)**

##### **Valuation of the Teachers' Pension Scheme**

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers will pay the current rate of 16.48%.

##### **Scheme Changes**

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

The employer's pension costs paid to TPS in the period amounted to £664,000 (2018: £591,000).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

Under the definitions set out in FRS 102, the TPS is an unfunded multi-employer pension scheme. The academy trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy trust has set out above the information available on the scheme.

##### **Local government pension scheme**

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £299,000 (2018 - £259,000), of which employer's contributions totalled £235,000 (2018 - £199,000) and employees' contributions totalled £64,000 (2018 - £60,000). The actuary has estimated that the Employers contributions for the year to 31 August 2019 will be approximately £217,000.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of an academy trust closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

# Potteries Educational Trust

## Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)

### 24 Pension and similar obligations (continued)

#### Principal actuarial assumptions

	31 August 2019 %	31 August 2018 %
Rate of increase in salaries	2.70	2.80
Rate of increase for pensions in payment/inflation	2.30	2.40
Discount rate for scheme liabilities	<u>1.80</u>	<u>2.80</u>

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

	31 August 2019	31 August 2018
<b>Retiring today</b>		
Males retiring today	21.10	22.10
Females retiring today	23.50	24.40
<b>Retiring in 20 years</b>		
Males retiring in 20 years	22.20	24.10
Females retiring in 20 years	<u>24.80</u>	<u>26.40</u>

#### Sensitivity analysis

	31 August 2019 £000
Discount rate -0.5%	1,457.00
Salary increase rate +0.5%	189.00
CPI rate +0.5%	<u>1,239.00</u>

The academy trust's share of the assets in the scheme were:

	31 August 2019 £ 000	31 August 2018 £ 000
Equities	4,839	4,588
Other bonds	1,566	1,245
Property	569	524
Cash and other liquid assets	<u>142</u>	<u>197</u>
Total market value of assets	<u>7,116</u>	<u>6,554</u>

The actual return on scheme assets was £416,000 (2018 - £407,000).

## Potteries Educational Trust

### Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)

#### 24 Pension and similar obligations (continued)

##### Amounts recognised in the statement of financial activities

	2018/19 £ 000	2017/18 £ 000
Current service cost	(390)	(376)
Interest income	185	152
Interest cost	(235)	(213)
Total amount recognized in the SOFA	<u>(440)</u>	<u>(437)</u>

##### Changes in the present value of defined benefit obligations were as follows:

	2018/19 £ 000	2017/18 £ 000
At start of period	8,252	-
Conversion of academy trusts	-	8,381
Current service cost	353	376
Interest cost	235	213
Employee contributions	64	60
Actuarial (gain)/loss	1,699	(643)
Benefits paid	(153)	(135)
Past service cost	37	-
At 31 August	<u>10,487</u>	<u>8,252</u>

##### Changes in the fair value of academy's share of scheme assets:

	2018/19 £ 000	2017/18 £ 000
At start of period	6,554	-
Conversion of academy trusts	-	6,023
Interest income	185	152
Actuarial gain/(loss)	231	255
Employer contributions	235	199
Employee contributions	64	60
Benefits paid	(153)	(135)
At 31 August	<u>7,116</u>	<u>6,554</u>

#### 25 Related party transactions

Owing to the nature of the Academy Trust's operations and the composition of the Board of Trustees 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 Trustees may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy Trust's financial regulations and normal procurement procedures.

## **Potteries Educational Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)**

#### **25 Related party transactions (continued)**

City of Stoke-on-Trent Sixth Form College Joined the Academy Trust, The Potteries Educational Trust on 1st September 2017. Biddulph High School were an associated member of the trust in the year. Transactions with Biddulph High School were as follows:

Goods/services received from Biddulph High School amounted to £1,978 of which £200 is outstanding at year end and included in debtors.

Goods/services provided by City of Stoke-on-Trent Sixth Form College to Biddulph High School amounted to £86,678 of which £5,333 was outstanding at year end as a creditor.

Transactions from from City of Stoke-on-Trent Sixth Form College to Potteries Educational Trust amounted to £20,302 of which £14,040 was outstanding at year end as a creditor. This was for the service of Tracey Condliffe (Business Director) providing consultancy services to City of Stoke-on-Trent Sixth Form College in the absence of a Finance Director.

#### **26 Agency arrangements**

The academy trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending 31 August 2019 the academy trust received £343,000 and disbursed £275,000 from the fund. An amount of £587,000 is included in other creditors relating to undistributed funds that is repayable to ESFA.

Comparatives for the accounting period ending 31 August 2018 are £331,000 received, £288,000 disbursed and £519,000 included in other creditors.

#### **27 Events after the end of the reporting period**

After the end of the reporting period the trust expanded to include Biddulph High School formerly a Single Academy Trust. This was in line with the Trust's growth strategy and was legally finalised on 1st September 2019.

The collaboration with the associate member schools has continued into the new academic and financial year with shared development and business services growing across all member academies and schools.

# Potteries Educational Trust

## Notes to the Financial Statements for the Year Ended 31 August 2019 (continued)

### 28 Statement of Financial Activities for the Year Ended 31 August 2018

	Unrestricted Funds £ 000	Restricted General Funds £ 000	Restricted Fixed Asset Funds £ 000	2017/18 Total £ 000
<b>Income and endowments from:</b>				
<i>Voluntary income</i>				
Donations and capital grants	-	46	40	86
Transfer from City of Stoke Sixth Form College on conversion	867	(2,622)	27,084	25,329
<i>Charitable activities:</i>				
Funding for the Academy trust's educational operations	-	6,529	-	6,529
Other trading activities	349	2	-	351
Investments	8	-	-	8
<b>Total</b>	<b>1,224</b>	<b>3,955</b>	<b>27,124</b>	<b>32,303</b>
<b>Expenditure on:</b>				
Raising funds	3	-	-	3
<i>Charitable activities:</i>				
Academy trust educational operations	227	6,516	794	7,537
<b>Total</b>	<b>230</b>	<b>6,516</b>	<b>794</b>	<b>7,537</b>
<b>Net income/(expenditure)</b>	<b>994</b>	<b>(2,561)</b>	<b>26,330</b>	<b>24,763</b>
<b>Other recognised gains and losses</b>				
Actuarial gains on defined benefit pension schemes	-	898	-	898
<b>Net movement in funds/(deficit)</b>	<b>994</b>	<b>(1,663)</b>	<b>26,330</b>	<b>25,661</b>
<b>Reconciliation of funds</b>				
Total funds/(deficit) brought forward at 1 September 2017	-	-	-	-
<b>Total funds/(deficit) carried forward at 31 August 2018</b>	<b>994</b>	<b>(1,663)</b>	<b>26,330</b>	<b>25,661</b>