Activate Learning

Members' Report and Financial Statements

For the year ended 31 July 2019

Members' Report and Financial Statements

Page **Contents**

Key Management Personnel, Board of Governors and Professional Advisors

Key Management Personnel

Sally Dicketts	Chief Executive Officer, Accounting Officer
Steve Ball	Chief Financial Officer
Lee Nicholls	Deputy Chief Executive
Cheri Ashby	Executive Director
Paul Newman	Executive Director
Jon Adams	Executive Director
Bernard Grenville-Jones	Executive Director
Fiona Stilwell	Managing Director, Activate Apprenticeships

Board of Governors

A full list of Governors is given on page 12 of these financial statements. Jamie Wade serves as Clerk to the Corporation.

Professional Advisers

Financial statement and regularity auditors:

Mazars LLP
90 Victoria Street
Bristol
BS1 6DP

Internal Auditors:

RSM Risk Assurance Services LLP
66 Chiltern Street
London
W1U 4GB

Bankers:

Lloyds TSB Bank Plc
1 High Street
Carfax
Oxford
OX1 4AA

Solicitors:

Blake Morgan LLP
Seacourt Tower
West Way
Oxford
OX2 0FB

Eversheds
1 Wood Street
London
EC2V 7WS

Report of the Governing Body

NATURE, OBJECTIVE AND STRATEGIES

The members present their report and the audited financial statement for the year ended 31st July 2019.

Legal Status

Activate Learning is a Further Education Corporation and an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all Further Education Corporations in England. The members of the Corporation Body, who are trustees of the charity, are disclosed on pages 12 - 13.

The Corporation was established by the Secretary of State for Education and Skills on 1 April 2003 under the provisions of the Further and Higher Education Act 1992 for the purpose of conducting the business of Oxford and Cherwell College. On 1 August 2003, the property, rights and liabilities of Oxford College of Further Education, North Oxfordshire College and Rycotewood College were transferred to Oxford and Cherwell College.

On 17th August 2005, the Corporation changed its name to Oxford and Cherwell Valley College Corporation (OCVC).

On 1st August 2012, the assets and business of Reading College Limited were transferred to the OCVC Corporation and Reading College Limited ceased trading.

On 1st September 2013, OCVC changed its name to Activate Learning, continuing to operate under the local college names - City of Oxford College, Banbury & Bicester College and Reading College.

During May 2013, Rocket Consultancy Ltd was acquired by OCVC and on 1st December 2013, the business and assets of Rocket Consultancy Ltd were transferred to Activate Learning. On 1st June 2014, the apprenticeship and consultancy business of Activate Learning was transferred to Activate Enterprise Ltd, a wholly owned subsidiary of the Corporation.

In 2014/15 the group acquired a 37% share in The Oxfordshire Partnership LLC, an associate operating in Saudi Arabia, via its subsidiary undertaking Activate Learning Investments Limited.

On 1st June 2016 Activate Learning became the sole member of ATG Training Limited, a company limited by guarantee and charity (registered charity number 1092902).

On 10th January 2019 the assets and liabilities of Bracknell and Wokingham College were assigned through a 'Type B' merger of Further Education Corporations.

On 29th March 2019, the assets and liabilities of Guildford College Group were assigned through a 'Type B' merger of Further Education Corporations.

Public Benefit

In setting and reviewing the Corporation's strategic objectives, Members have 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 Corporation provides the following identifiable public benefits through the advancement of education:

- high-quality teaching and learning,
- widening participation and tackling social exclusion,
- routes into employment for students,
- strong student support systems,
- links with employers, industry and commerce.

Mission

Providing talent for business, transforming lives through our learning philosophy.

Vision

To achieve far reaching progressive change and impact through learning.

Strategic Plan

The Group's Strategic Plan for the period 2017 to 2021 sets out our ambition for growth and development over the period. At the plans core is a redefining of both learning and the learning professional, together with a drive to ensuring a dynamic network of business partnerships.

We call this Learning Reimagined.

The strategy establishes two key strategic objectives, which are monitored through key performance indicators:

- To provide an innovative, responsive curriculum, that builds a talent pipeline for business
- To provide teaching, learning and assessment that drives individual progress and progression.

We measure our progress through key performance indicators related to:

- Lives transformed
- First Choice for Business
- Reputation for Excellence

Measures are tracked in each division to ensure group wide alignment with the plan.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Activate Learning comprises of:

- Activate Enterprise Limited
- ATG Training Limited
- Banbury and Bicester College
- Bracknell & Wokingham College

- City of Oxford College
- Farnham 6th Form College
- Guildford College
- Merrist Wood College
- Reading College
- The Oxfordshire Partnership (Saudi Arabia)

Activate Learning is a 37% shareholder in The Oxford Partnership, a company registered in Saudi Arabia. The Oxford Partnership has a contract with Colleges of Excellence, an agency of the Saudi government, to run four colleges for female students in Saudi Arabia.

The Divisions within the Group are managed by locally based Executives, and the Group oversees the running of the Divisions and provides group wide shared services. Colleges operate a cross-campus faculty structure to provide consistent quality of delivery.

This structure has strengthened local focus while making best use of shared resources, facilitating growth. The Group has greater access to funding and a stronger voice when it comes to working with regional and national agencies and other stakeholders.

Activate Learning is a member and sponsor of Activate Learning Education Trust (ALET). An independent Board controls ALET and the results are not consolidated within these Financial Statements. ALET has multi academy status having an individual funding agreement with the Secretary of State and an independent governance structure as set out in the Academies Financial Handbook (July 2016).

The multi-academy trust governs The Bicester School, Bicester Technology Studio, Theale Green School, UTC Swindon, UTC Oxfordshire, UTC Reading and UTC Heathrow.

Financial Objectives

The Corporation's overriding financial strategy is to drive income growth and cost efficiency to generate cash for re-investment.

This strategy continues to be underpinned by ongoing financial objectives:

- To identify, develop and implement key strategic opportunities for new and expanding revenue income streams, as well as growth through acquisition in new and existing markets
- To develop financial strategies to ensure budgets and operational plans improve the group's solvency and support resource utilisation
- To develop financial systems to ensure timely financial information for senior management and budget holders that supports decision making processes
- To encourage a culture of open financial accountability and value for money across all colleges and divisions
- To identify efficiencies across all activities to maximise both a cash surplus and protect front-line core delivery

Together, these objectives are intended to improve the underlying financial health of the Group.

The mergers completed in the year ended 31st July 2019 fully supported achievement of the financial strategy and objectives. The additional scale affords considerable opportunity to generate additional efficiency and longer term income growth.

Performance Indicators

The Corporation regularly reviews performance and has set a series of comprehensive key financial performance indicators.

The merger processes have created significant complexity within financial performance and over time will materially change the financial expectations. The table below shows performance against original targets:

KPI	Target	Actual
Sector EBITDA as % of income	10%	8%
Staff cost as % of income	60%	53%
Closing cash balance	£1.5m	£6.0m
Current ratio (adjusted for capital grants)	0.5	1.7
Borrowing as % of income	<20%	7%
Financial health score	Good	Outstanding

The Corporation is committed to observing the importance of sector measures and indicators and uses the FE Choices website that looks at measures such as success rates. The Corporation is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA), which produces a Financial Health grading. The rating has been 'GOOD' for a number of years with improvement against all measures. The combined effect of the in-year mergers, timing of merger related spend, reduction in debt, part year results of new colleges and better than expected income from The Oxford Partnership have contributed to a temporary shift to 'OUTSTANDING' for 2018/19. The underlying performance remains 'GOOD', as planned. The longer term strategic plan for the Group is to improve to a sustainable measure of 'OUTSTANDING'.

Financial Results

The Consolidated Statements of Comprehensive Income account on page 26 consolidates the results of Activate Learning, Activate Enterprise Limited, ATG Training Limited and a 37% share of the movement on net assets of The Oxford Partnership. A summary of the Group's income and expenditure is analysed over the page. Increases in income and surplus were achieved through merger growth and the success of The Oxford Partnership.

The Group reported a surplus (excluding FRS102 adjustments and exceptional items) of £3,094k (2018: £1,180K surplus). The Group has accumulated reserves of £127.7m (excluding pension liability of £81.9m) and cash balances of £6.0m.

Treasury Policies and Objectives

Treasury management is the management of the Group's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

All borrowing requires the authorisation of the Corporation and complies with the requirements of the Financial Memorandum with the ESFA.

Cash Flows and Liquidity

In total, activity within the year generated a cash inflow of £4,180k. Operating cash flow (after outflow of £3.76m on merger related costs) was a net cash outflow of £489k (for 2018, there was a net cash in-flow of £3,038k). The size of the Group's total borrowing and its approach to interest rate has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year, this margin was comfortably exceeded.

Reserves

The Group has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £115.8m before pension liabilities (2018: £25.8m). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Summary of Results

£000s	2018/19						2017/18
	Activate Learning	Activate Enterprise	ATG Training	Share of Associate	Consol. Adj	Group	Group
Total income	65,443	7,197	189	0	(3,050)	69,779	53,346
Total expenditure	(64,846)	(7,759)	(236)	0	6,156	(66,685)	(52,166)
Surplus / (Deficit) for the year before FRS102 adjustments and exceptional items	**597**	**(562)**	**(47)**	**0**	**3,107**	**3,094**	**1,180**
FRS 102 Pension Service cost	(3,535)	0	0	0	0	(3,535)	(1,218)
FRS 102 Pension Interest charge	(1,365)	0	0	0	0	(1,365)	(2,192)
Deficit for the year before exceptional items	**(4,303)**	**(562)**	**(47)**	**0**	**3,107**	**(1,806)**	**(2,230)**
Exceptional items: Merger Costs & Restructuring	(3,752)	(6)	0	0	0	(3,758)	(154)
Conditional Grant release	16,628	0	0	0	0	16,628	0
ATG Debt write-off	(1,001)	0	1,583	0	(582)	0	0
Loss on disposal of assets	0	0	0	0	0	0	(388)
Share of operating surplus in associate	0	0	0	218	0	218	1,177
Acquired balance sheet of new colleges	41,679	0	0	0	0	41,679	0
Total surplus / (deficit) for the year	**49,251**	**(568)**	**1,536**	**218**	**2,524**	**52,962**	**(1,595)**

Financial Health

As noted above, the ESFA measure of Financial Health is temporarily 'Outstanding'. Bank covenants have been met.

Student numbers

The Group had 23,042 learners in the period (2018: 12,738).

Achievements

Achievement rate for the Group is 84.5% (2018 Restated: 83.7%) which compares with the latest published national benchmark of 85.9%.

Inspection

Activate Learning was inspected by Ofsted in December 2017. The Corporation was rated as 'Good' for Overall Effectiveness, with 'Good' grades of Leadership & Management; Teaching, Learning & Assessment; Personal Development, Behaviour and Welfare; and Student Outcomes. An 'Outstanding' grade was also awarded for students with High Needs.

Particular strengths noted in the inspection report: the preparation of learners for employment through the development of Attributes, and the positive destinations held by our students; good professional development of teachers that has an impact on the quality of teaching and learning; effective leadership and governance with a clear strategic direction for the organisation.

Curriculum Developments

The group has initiated significant curriculum redesign in order to realise the ambition and strategic objectives within Learning Reimagined. Following a complete curriculum review across all faculties, a curriculum framework articulating curriculum commitment and design principles has been created. The framework informs a consistent approach to the design and construction of programmes at different stages in each career pathway. The four main curriculum components consisting of traditional knowledge (Vocational, English, Mathematics and Work Experience), Wellness (Pastoral, Tutorial, Progress Reviews) Attributes Development and Global Literacy and Citizenship are combined to create differentiated programmes of study that provide the knowledge, skills and attributes learners need to progress between stages of their career pathway.

2018/19 was the transitional year in which faculties began to implement the new curriculum components with an integrated approach to business planning, quality improvement and curriculum design. Second iterations of curriculum components have been rolled out in September 2019 that respond directly to stakeholder feedback.

Our internal reviews utilise the criteria within the new Ofsted Education Inspection Framework, which has a stronger focus on curriculum intent, implementation and impact. The reviews enable us to gain greater clarity on how each curriculum component should be planned, delivered and facilitated at different stages of learning. We continue to consider potential changes to the facilitation of curriculum and the roles and configurations of the learning professional teams.

During 2018/19 a digital steering group, in collaboration with colleagues across the Group, created an updated Digital Strategy. The strategy identifies clear milestones for learner and staff skills development, infrastructure investment and resource development and our teams are working to comprehensively plan the development of digital skills required at every stage of the career pathway.

Our approach to curriculum design will not only lead to an improved student experience, but also longer term value through efficiency and resource across sites. The harmonisation is enabling the efficient integration of our newly merged colleges.

The merger with the Guildford College Group has broadened the curriculum offer within Activate Learning to now include 'Land Based' at Merrist Wood College in Surrey.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1st November 1998, requires Corporations, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The Group makes every endeavor to adhere to this target.

Future Developments

Following the merger related expansion during the year ended 31st July 2019, the Corporation is focused on consolidation and integration in the immediate short term. The business cases for the mergers were based on leveraging incremental scale to drive cost efficiency across the group, with income growth targeted when recent demographic trends reversed.

ESFA supported investment in quality and infrastructure improvement through 2019/20 will ensure the organisation is robust and can achieve future growth.

Having due regard to the current position and principal risks the Corporation believes it will be able to continue in operation and meet all liabilities on an ongoing basis.

RESOURCES

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

Financial

The Corporation has £45.8m of accumulated reserves, after a provision of £81.9m for pension liability.

People

The Group employs 2,129 people, of whom 743 are teaching staff.

Reputation

The Group has a good reputation locally and nationally which is important for it to be successful in attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The Corporation has developed and embedded a system of internal control, including financial, operational and risk management, which is designed to protect the Group's assets and reputation.

Based on the strategic plan, the Corporation undertakes a comprehensive review of the risks to which the Group is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the Group. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions.

In addition to the annual review, the Corporation will also consider any risks which may arise as a result of a new area of work being undertaken by the Group.

A risk register is maintained which is reviewed regularly by the Corporation and by the Audit & Risk Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a list of some of the principal risk factors that may prevent the Group achieving its objectives, along with mitigations that are in place. Not all the factors are within the Group's control. Other factors besides those listed below may also adversely affect the Group.

- Failure to achieve the growth or financial performance that underpins the Learning Re-Imagined strategy;

  This continues to be mitigated through a series of activities, including the recent merger processes and resulting synergies (growth), robust marketing plans informed by local market assessment and employer relationships (growth), specific strategic plans for Adults; HE; Apprenticeships (growth) and a clear financial strategy with robust targets (financial performance).
- Unable to recruit, retain and develop succession plans for high quality employees across all disciplines;

  This has been a focus through the year with additional experienced resource in place, revised staff recruitment processes as well as monitoring of employment trends and the competitiveness of the group's offer.
- Failure to improve timely and overall Apprenticeship achievement rates;

  With the merger related growth, the risk of Apprenticeship quality increases in significance. Mitigations are cross group, including management shadowing of learner review meetings, additional resource in key functions and ensuring external validation of processes and system improvements.

STAKEHOLDER RELATIONSHIPS

In line with other Corporations and with universities, Activate Learning has many stakeholders. These include; students, funding agencies, staff, local employers (with specific links), local authorities, government offices, the local community, other Further Education institutions, university partners, trade unions and professional bodies. The Group recognises the importance of these relationships and engages in regular communication with them.

EQUALITY AND DIVERSITY

The Group is committed to ensuring equality of opportunity for all who learn and work with us. Activate Learning believes there should be no limits to achievement and as well as celebrating the individual talents of all staff and students, we challenge discrimination and strive to remove barriers which place people at a disadvantage.

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

The safeguarding protocols of the Group ensure that staff and learners are aware that safeguarding is the responsibility of everyone.

DISABILITY STATEMENT

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

a) as part of the redevelopment of the buildings it is installing lifts and ramps etc. so that eventually most of the facilities will allow access to people with a disability;

b) there is a list of specialist equipment, lighting, audio facilities etc. which the Group can make available for use by students;

c) the admissions policy for all students is described in the Group charter, with an appeal process against a decision not to offer a place dealt with under the complaints policy;

d) the Group has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;

e) specialists programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard Group format;

f) counselling and welfare services are described in the Group charter.

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

The Group is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard.

TRADE UNION FACILITY TIME

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the Group to publish information on facility time arrangements for trade union officials in the workforce.

The Group had nine employees that this relates to in 2018/19 with the time being spent and approximate costs shown below:

Percentage of time	**Number of employees**
0%	0
1-50%	9
51-99%	0
100%	0
Total cost of facility time	£18,144
Total pay bill	£32,461,642
Percentage of total bill spent on facility time	0.05%

DISCLOSURE OF INFORMATION TO AUDITORS

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Approved by order of the members of the Corporation on 9th December 2019 and signed on its behalf by:

....

Chris Jones, Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the Group to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2018 to 31st July 2019 and up to the date of approval of the annual report and financial statements.

The Group endeavors to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
- in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
- having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the Group complies with the provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in December 2015.

The Corporation

The members who served the Corporation during the year and up to the date of signature of this report were as follows:

Name	Date of appointment	Term of office	Date resignation	Status of appointment	Attendance at Corporation meetings	Committees served
Sally Dicketts	01.10.03	Ex officio		CEO	100%	Search & Governance
Chris Jones	29.03.11 Reappointed: 28.03.15 15.07.19	4 years		External	67%	Search & Governance Remuneration
Maire Brankin	18.10.11 Reappointed: 17.10.15	4 years	17.10.19	External	89%	Audit & Risk
James Dipple	08.07.14 Reappointed: 18.06.18	4 years		External	100%	Remuneration
Evelyn James	18.07.12	4 years		External	22%	Audit & Risk

	Reappointed: 17.07.16					
Tracey James	17.07.13 Reappointed: 20.03.17	4 years		External	89%	Audit & Risk Remuneration
Dermot Mathias	22.03.16	4 years		External	78%	Search & Governance
Pauline Odulinski	08.07.14 Reappointed: 18.06.18	4 years		External	56%	Search & Governance
Nina Robinson	24.03.15 Reappointed: 24.03.19	4 years		External	67%	
Malcolm Wicks	12.07.16	4 years		External	89%	Audit & Risk Remuneration
Julia Von Klonowski	14.10.14 Reappointed: 16.10.17	4 years		External	78%	
Andrew Stone	01.04.19	2 years		External - Merger Partner	100%	Audit & Risk
Sue Sturgeon	01.04.19	2 years		External - Merger Partner	100%	
Nigel Rayner	16.10.17	4 years	20.03.19	External	25%	Remuneration
Elena Ingham	11.02.19	1 year	30.09.19	Internal - Student	33%	Search & Governance
Ben Sims	11.12.17	2 years		Internal - Staff	78%	Search & Governance

Jamie Wade serves as Clerk to the Corporation.

It is the Corporation's responsibility to bring independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the Group together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets seven times in each year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are 'Remuneration', 'Search and Governance', and 'Audit and Risk'. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.activatelearning.ac.uk or from the Clerk to the Corporation at:

Activate Learning,
Oxpens Road,
Oxford
OX11SA

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

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

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

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

There is a clear division of responsibility in that the roles of the Chairman of the Corporation and Chief Executive of the Group are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years.

Corporation Performance

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2019 and graded itself as 'Good' overall.

Remuneration Committee

Throughout the year ending 31st July 2019, the Group's remuneration committee had five members. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Group Chief Executive and other senior post-holders.

Details of remuneration for the year ended 31st July 2019 are set out in Note 8 of the Financial Statements.

Audit and Risk Committee

The Audit and Risk Committee comprises five members of the Corporation (who exclude the Group Chief Executive and Chairman) and one co-opted member. The committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the Group's system of internal control and its arrangements for risk management, control and governance processes.

The Audit and Risk Committee meets three or more times in each year and provides a forum for reporting by the Group's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of Group management. The

Committee may also occasionally receive and consider reports from the ESFA, as they affect the Group's business.

The Group's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit and Risk Committee.

Management is responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

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

Internal Control

Scope of Responsibility

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

The Corporation has delegated the day-to-day responsibility to the Group Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Group's policies, aims and objectives whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the Group and ESFA. The Group Chief Executive is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

The Purpose of the System of Internal Control

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

The Risk and Control Framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation;

- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

The Group has an internal audit service, which operates in accordance with the requirements of ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the Group is exposed, and annual internal audit plans are based on this analysis.

The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit and Risk Committee.

As a minimum, the Head of Internal Audit annually provides the Corporation with a report on internal audit activity in the Group. The report includes the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Group's system of risk management, controls and governance processes.

Review of Effectiveness

As Accounting Officer, the Group Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. The Group Chief Executive's review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors;
- The work of the executive managers within the Group who have responsibility for the development and maintenance of the internal control framework; and
- Comments made by the Group's financial statements auditors in their management letter and other reports.

The Group Chief Executive has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit and Risk Committee which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Group Executive Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Group Executive Team and Audit and Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit and Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Group Executive Team and the Audit and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31st July 2019 by considering documentation from the Group Executive Team and internal audit, and taking account of events since 31st July 2019.

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

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the Group is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of view that there is a formal ongoing process for identifying, evaluating and managing the Group's significant risks that has been in place for the period ending 31st July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

Impact of BREXIT

The potential impact of BREXIT has been considered and the Board are of the opinion that even though there is a degree of uncertainty, that no significant impact is expected to be felt.

Going Concern

After making appropriate enquiries, the Corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 9th December 2019 and signed on its behalf by:

....	....
Chris Jones	**Sally Dicketts**
Chair	**Group Chief Executive**

Governing Body's Statement on the Group's Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with Education and Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Education and Skills Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that after due enquiry and to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the Group, or material non-compliance with the Education and Skills Funding Agency's terms and conditions of funding under the financial memorandum.

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

....
Chris Jones
Chair

....
Sally Dicketts
Group Chief Executive

Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the Group, the Corporation, through its Group Chief Executive, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice-Accounting for Further and Higher Education and with the College Accounts Direction 2018 to 2019 issued by the Education and Skills Funding Agency, and which give a true and fair view of the state of affairs of the Group and the result for that year.

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

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

The Corporation is also required to prepare a Report of the Governing Body which describes what it is trying to do and how it is going about it, including the legal and administrative status of the Group.

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the Group's resources and expenditure so that the benefits that should be derived from the application of public funds by the Education and Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 9th December 2019 and signed on its behalf by:

....

Chris Jones
Chair

Independent auditor's report to the Members of the Corporation of Activate Learning

Opinion

We have audited the financial statements of Activate Learning ("the College") for the year ended 31 July 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Reserves, the Consolidated and College Statement of Financial Position, the Consolidated 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, 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 College's affairs as at 31 July 2019 and of the College's surplus of expenditure over income for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

The impact of uncertainties due to Britain exiting the European Union on our audit

The Board of Governor's view on the impact of Brexit is disclosed on page 17. The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the College's activities, staff, students, suppliers and the wider economy.

We considered the impact of Brexit on the College as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the College's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the College and this is particularly the case in relation to Brexit.

Other information

The College 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of College

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 19, the College 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 College 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 College are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the College intend to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard.

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

Use of the audit report

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

Mazars

Mazars LLP

Chartered Accountants and Statutory Auditor

90 Victoria Street

Bristol

BS1 6DP

Date: 16/12/19

Independent Regularity Report to the Corporation of Activate Learning ('the Corporation') and the Secretary of State for Education Acting Through the Department of Education ('the Department')

In accordance with the terms of our engagement letter dated 16 September 2019 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Activate Learning during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Activate Learning and the reporting accountant

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

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

Approach

We conducted our engagement in accordance with the Code issued by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the SFA/ funding agreement with the EFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

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

Signed: Mazars

Mazars LLP

Date: 16/11/19

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July 2019 Group £'000	2019 College £'000	Year ended 31 July 2018 Group £'000	2018 College £'000
INCOME					
Funding body grants	3	68,230	62,529	41,261	36,174
Tuition fees and education contracts	4	6,396	7,659	4,301	3,905
Other grants and contracts	5	400	400	423	436
Other income	6	11,375	11,443	7,361	7,468
Investment income	7	5	41	-	35
Total income		**86,406**	**82,071**	**53,346**	**48,018**
EXPENDITURE					
Staff costs	8	45,415	42,354	33,283	29,774
Fundamental restructuring costs	9	574	569	154	213
Other operating expenses	10	20,918	23,148	15,982	13,463
Depreciation	13	6,099	6,094	4,543	4,449
Interest and other finance costs	11	2,336	2,335	1,768	1,767
Total expenditure		**75,342**	**74,500**	**55,730**	**49,666**
Surplus/(Deficit) before other gains and losses		**11,064**	**7,571**	**(2,384)**	**(1,648)**
Loss on disposal of assets		-	-	(388)	(53)
Share of operating surplus in associates		218	-	1,177	-
Gift of acquired colleges assets & liabilities	27	41,679	41,679	-	-
Surplus/(Deficit) before tax		**52,961**	**49,250**	**(1,595)**	**(1,701)**
Taxation	12	-	-	-	-
Surplus/(Deficit) for the year		**52,961**	**49,250**	**(1,595)**	**(1,701)**
Actuarial (loss)/gain in respect of pensions schemes	23	(9,833)	(9,833)	12,123	12,123
Investment property revaluation		-	-	2,432	2,432
Total Comprehensive Income for the year		**43,128**	**39,417**	**12,960**	**12,854**

The income and expenditure account is in respect of continuing activities.

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Group			
Balance at 31st July 2017	**(20,179)**	**9,873**	**(10,306)**
Deficit from the income and expenditure account	(1,595)	-	(1,595)
Other comprehensive income	12,123	2,432	14,555
Transfers between revaluation and income and expenditure reserves	170	(170)	-
	10,698	2,262	12,960
Balance at 31st July 2018	**(9,481)**	**12,135**	**2,654**
Surplus from the income and expenditure account	52,961	-	52,961
Other comprehensive income	(9,833)	-	(9,833)
Transfers between revaluation and income and expenditure reserves	170	(170)	-
Total comprehensive income for the year	43,297	(170)	43,127
Balance at 31st July 2019	**33,816**	**11,965**	**45,781**
College			
Balance at 31st July 2017	**(18,719)**	**9,873**	**(8,846)**
Deficit from the income and expenditure account	(1,701)	-	(1,701)
Other comprehensive income	12,123	2,432	14,555
Transfers between revaluation and income and expenditure reserves	170	(170)	-
	10,592	2,262	12,854
Balance at 31st July 2018	**(8,127)**	**12,135**	**4,008**
Surplus from the income and expenditure account	49,250	-	49,250
Other comprehensive income	(9,833)	-	(9,833)
Transfers between revaluation and income and expenditure reserves	170	(170)	-
Total comprehensive income for the year	39,586	(170)	39,416
Balance at 31st July 2019	**31,459**	**11,965**	**43,424**

Statement of Financial Position as at 31 July 2019

	Notes	Group	College	Group	College
		2019	**2019**	**2018**	**2018**
		£'000	**£'000**	**£'000**	**£'000**
Fixed assets					
Tangible fixed assets	13	160,289	160,289	53,762	53,718
Investments	14	5,223	3,495	4,394	2,885
		165,512	**163,784**	**58,156**	**56,603**
Current assets					
Stocks	15	87	69	28	-
Trade and other receivables	16	9,224	8,069	4,387	5,969
Cash and cash equivalents	21	6,008	5,922	1,828	1,760
		15,319	**14,060**	**6,243**	**7,729**
Less: Creditors – amounts falling due within one year	17	(11,293)	(10,663)	(7,172)	(5,751)
Net current assets / (liabilities)		**4,026**	**3,397**	**(929)**	**1,978**
Total assets less current liabilities		**169,538**	**167,181**	**57,227**	**58,581**
Less: Creditors – amounts falling due after one year	18	(40,862)	(40,862)	(18,319)	(18,319)
Net assets before provisions		128,676	126,319	38,908	40,262
Provisions					
Other provisions	20	(953)	(953)	(951)	(951)
Defined benefit obligations	23	(81,942)	(81,942)	(35,303)	(35,303)
Total net liabilities		**45,781**	**43,424**	**2,654**	**4,008**
Unrestricted reserves					
Income and expenditure account		33,816	31,459	(9,481)	(8,127)
Revaluation reserve		11,965	11,965	12,135	12,135
Total unrestricted reserves		**45,781**	**43,424**	**2,654**	**4,008**

The financial statements on pages 26 to 57 were approved and authorised for issue by the Corporation on 9th December 2019 and were signed on its behalf on that date by:

Chris Jones, Chair

Sally Dicketts, Group Chief Executive

Consolidated Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
Cash inflow from operating activities			
Surplus / (deficit) for the year		**52,961**	**(1,595)**
Adjustment for non cash items			
Depreciation	13	6,099	4,543
Gift of acquired college assets & liabilities		(41,572)	-
Share of operating profit of associate		(218)	(1,177)
Deferred capital grants released to income	17	(1,133)	(968)
Conditional grant released to income	18	(16,628)	-
FRS 102 (28) pension charge	11 & 23	4,918	3,410
Decrease / (increase) in stock		10	(19)
Increase in debtors	16	(908)	(1,360)
Decrease in creditors	17	(3,944)	(531)
Decrease in provisions	20	(69)	(95)
		(53,445)	3,802
Adjustment for investing or financing activities			
Interest receivable	7	(5)	-
Interest payable	11	338	442
Loss on sale of fixed assets		-	388
Net cash (outflow) / inflow from operating activities		**(151)**	**3,038**
Cash flows from investing activities			
Purchase of Investments		-	(43)
Interest received		5	-
Purchase of tangible fixed assets		(2,813)	(1,918)
Deferred capital grants received		541	164
Net cash out flow from investing activities		**(2,267)**	**(1,797)**
Cash flows from financing activities			
Repayment of finance leases		(114)	-
Interest paid		(338)	(442)
ESFA Grant received		11,588	-
ESFA Loan received		4,655	-
Repayment of bank loans		(9,193)	(761)
Net cash inflow / (outflow) from financing activities		**6,598**	**(1,203)**
Increase in cash and cash equivalents in the year		**4,180**	**38**
Cash and cash equivalents at beginning of the year	21	1,828	1,791
Cash and cash equivalents at end of the year	21	6,008	1,828

Notes to the Accounts (forming part of the financial statements)

1 General Information

These financial statements comprising the Consolidated Statements of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Statement of Financial Position, Consolidated Statement of Cash Flows and the related notes (numbered 1 to 27) constitute the consolidated financial statements of Activate Learning for the financial year ended 31 July 2019.

Activate Learning is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all Further Education Corporations in England. The nature of the company's operations and its principal activities are set out in the Report of the Governing Body at page 2.

The financial statements have been presented in Pounds Sterling as this is the functional currency of the Group and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

Statement of Compliance

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102).

2 Accounting Policies

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2018 to 2019 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The Corporation is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies.

Basis of Consolidation

The consolidated financial statements include the College and its subsidiaries, Activate Enterprise Limited, Activate Learning Investments Limited, ATG Training Limited, Merrist Wood Enterprises Limited (dormant), controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal.

Intra group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2019.

Notes to the Accounts (continued)

2. Accounting policies (continued)

Going Concern

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

The Group currently has £4.7m loans outstanding with the Department of Education. The repayment of this loan is not due to begin until July 2027.

The Group's forecasts and financial projections indicate that it will be able to operate without the need for any short term financing requirements.

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

Recognition of Income

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

Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Government merger grants are recognised in income based on utilisation of the grant per the funding agreement.

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Other income is credited to the income and expenditure account in the period in which it is earned on a receivable basis. This includes services provided to The Oxford Partnership.

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

Notes to the Accounts (continued)

2. Accounting policies (continued)

Accounting for Post-Employment Benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi- employer scheme and the Group is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations.

The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Short Term Employment Benefits

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

Enhanced Pensions

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

Non-Current Assets - Tangible Fixed Assets

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

Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Notes to the Accounts (continued)

2. Accounting policies (continued)

Land and buildings

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

- 50 years
- Refurbishments – useful economic life

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the Group.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 102, the Group followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2019. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

- General equipment 6 years
- Motor vehicles 4 years
- Computer equipment 3 years
- Furniture, fixtures and fittings 5 years

Borrowing Costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased Assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The Group has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Notes to the Accounts (continued)

2. Accounting policies (continued)

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Investment Properties

Where the Group rents out property, these properties are treated as mixed use properties with the element of the property rented out being treated as an investment property and carried at fair value (market value) rather than cost.

Investments

Investments in subsidiaries
Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Investments in associates
Investments in associates are recognised initially in the consolidated Statement of Financial Position at the transaction price and subsequently adjusted to reflect the Group's share of total comprehensive income and equity of the associate, less any impairment. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets liabilities and contingent liabilities of the associate recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the associate. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, using the straight line method. Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the Group has incurred legal or constructive obligations or has made payments on behalf of the associate.

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow moving and defective items.

Cash and Cash Equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial Liabilities and Equity

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

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between

Notes to the Accounts (continued)

2. Accounting policies (continued)

the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

Taxation

The Corporation is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Corporation is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The Corporation is partially exempt in respect of Value Added Tax, so that it can only recover 3% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and Contingent Liabilities

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

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

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

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

Agency Arrangements

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

Notes to the Accounts (continued)
2. Accounting policies (continued)

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

- Determine whether there are indicators of impairment of the Group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

- Careful consideration has been given to which entities the Corporation has control over and the appropriate decision made as to whether to consolidate or not.

- Public Benefit Entity Combinations. The group has entered into two 'Type 2 Mergers' in the year. The group has judged these transaction to meet the requirement of combination which are in substance a gift rather than a merger, due to having gained overall control after the combination and having not paid any consideration. As a result the assets and liabilities received have been measured at fair value with the subsequent gain recognised in income and expenditure. Fair value adjustments in relation to the freehold land and property have been made after engaging the expertise of third party valuers.

Other key sources of estimation uncertainty:

- **Tangible Fixed Assets**

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

- **Local Government Pension Scheme**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. 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 July 2019.

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

- **Provision for Bad Debt**

Provision for bad debt has been made at a level considered prudent in the light of past experience.

- **Consolidation**

The Group has a quasi-subsidiary which is a charity. As charities do not have share capital the Group has judged that is has control of this entity through representation on their Board of Trustees, and it is therefore considered to be a quasi-subsidiary. The Activate Learning group umbrella includes a number of academies, the Group has judged that it does not have control of them so as to obtain benefits from their activities. Therefore the Group therefore does not consolidate them into its financial statement.

Notes to the Accounts (continued)

3 Funding council grants

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000
Recurrent grants				
Education and Skills Funding Agency - adult	5,459	5,418	4,107	3,760
Education and Skills Funding Agency – 16 -18	35,415	35,415	29,178	29,178
Education and Skills Funding Agency - apprenticeships	5,314	-	4,740	-
Higher Education Funding Council	697	479	1,630	1,630
Specific Grants				
Releases of government capital grants	733	733	548	548
Transaction Unit Grant Funding	16,628	16,628		
Other Grants	3,984	3,856	1,058	1,058
Total	68,230	62,529	41,261	36,174

4 Tuition fees and education contracts

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000
Adult education fees	3,453	3,465	1,113	1,082
Apprenticeship fees and contracts	123	-	292	-
Fees for FE loan supported courses	1,148	1,138	1,339	1,334
International students fees	759	797	406	406
Total tuition fees	5,483	5,400	3,150	2,822
Education contracts	913	2,259	1,151	1,083
Total	6,396	7,659	4,301	3,905

5 Other grants and contracts

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000
Release of Other Government Capital Grants	400	400	419	432
Other Grants - Support Areas & CEP	-	-	4	4
Total	400	400	423	436

Notes to the Accounts (continued)

6 Other income

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000
Catering and residences	952	952	630	630
Other income generating activities	10,312	10,386	6,082	6,191
Miscellaneous income	111	105	649	647
Total	**11,375**	**11,443**	**7,361**	**7,468**

7 Investment income

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000
Group interest receivable	-	36	-	35
Other interest receivable	5	5	-	-
Total	**5**	**41**	**0**	**35**

Notes to the Accounts (continued)

8 Staff costs - Group

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

	2019 No.	2018 No.
Teaching staff	316	292
Non teaching staff	659	493
	975	785

The average number of persons (including key management personnel) employed by the Group during the year was:

	2019 No.	2018 No.
Teaching staff	383	345
Non teaching staff	799	587
	1,181	932

Staff costs for the above persons

	2019 £'000	2018 £'000
Wages and salaries	32,076	24,535
Social security costs	2,881	2,221
Other pension costs (includes FRS102 (28) adjustments of £3,535,000, 2018: £2,192,000)	8,387	5,499
Payroll sub total	**43,344**	**32,255**
Contracted out staffing services	2,071	1,028
Staff costs	**45,415**	**33,283**

Notes to the Accounts (continued)

8 Staff costs - Group (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and are represented by the Group Executive Team which comprises of the Group Chief Executive, Chief Financial Officer and six individuals with the title Group Executive Director.

Emoluments of Key management personnel, Group Chief Executive and other higher paid staff

	2019 No.	2018 No.
The number of key management personnel including the Group Chief Executive:	8	8

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

	2019 Key Management Personnel	2019 Other Staff	2018 Key Management Personnel	2018 Other Staff
£60,001 to £65,000		3		3
£65,001 to £70,000		2		1
£70,001 to £75,000		2		3
£75,000 to £80,000		1		2
£85,001 to £90,000		1		1
£90,001 to £95,000		1		
£95,001 to £100,000	1			
£105,001 to £110,000			3	
£115,001 to £120,000	1		1	
£120,001 to £125,000	3		1	
£125,001 to £130,000			1	
£130,001 to £135,000	1			
£155,001 to £160,000			1	
£165,001 to £170,000	1			
£175,001 to £180,000			1	
£190,001 to £195,000	1			
	8	10	8	10

Notes to the Accounts (continued)

8 Staff costs - Group (continued)

Key management personnel emoluments are made up as follows:

	2019 £'000	2018 £'000
Salaries	974	974
Performance related bonuses	69	43
Benefits in kind	20	21
	1,062	**1,038**
Pension contributions	108	138
Total emoluments	**1,171**	**1,176**

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place. Included in the above are bonuses linked to delivery of key strategic objectives of the Group. Reward for Key Management Personnel (including assessment of peformance related bonuses) is set by the Remuneration Commiittee, a sub-committee of the Corporation board.

The above emoluments include amounts payable to the Group Chief Executive (who is also the highest post holder) of:

	2019 £'000	2018 £'000
Salaries	165	165
Performance related bonuses	17	8
Benefits in kind	9	6
	190	179
Pension contributions	18	18

The Group Chief Executive's basic salary divided by the median pay of all other Corporation employees & Chief Executive's total emoluments divided by the median pay of all other Corporation Employees was 6.6 and 7.3 respectively. This only includes employees of Activate Learning and excludes contractors & agency staff.

9 Fundamental restructuring costs

	2019 £'000	2018 £'000
Exceptional staff restructuring (contractual)	574	154
	574	**154**

All amounts relating to restructuring costs are due to the Corporation approved mergers of Guildford College Group & Bracknell & Wokingham College.

Notes to the Accounts (continued)

10 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	10,000	5,791	8,385	4,188
Non teaching costs	6,214	8,690	2,989	4,458
Premises costs	4,154	4,175	4,413	3,577
Impairment of financial assets	396	4,492	67	1,240
The amount of stock recognised as an expense	154	-	128	-
Total	**20,918**	**23,148**	**15,982**	**13,463**

Other operating expenses include:	**2019**	**2018**
	£'000	**£'000**
Auditors' remuneration:		
Financial statements audit*	45	40
Internal audit**	48	42
Other services provided by the financial statements auditors	-	1

* includes £40,350 in respect of the College (2017/18 £34,000)
** all in respect of the College

11 Interest payable

	2019	2018
	£'000	£'000
On bank loans, overdrafts and other loans:	338	442
	338	442
Bank charges	614	79
Net interest on defined pension liability (note 23)	1,384	1,248
Total	**2,336**	**1,768**

12 Taxation

The Group was not liable for any corporation tax arising out of its activities during either period.

Notes to the Accounts (continued)

13 Tangible fixed assets (Group)

	Land and buildings Freehold £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2018	48,665	29,567	78,232
Acquired at Merger	109,124	686	109,810
Additions	852	1,961	2,813
At 31 July 2019	**158,641**	**32,214**	**190,855**
Depreciation			
At 1 August 2018	11,763	12,704	24,467
Charge for the year	2,273	3,826	6,099
At 31 July 2019	**14,036**	**16,530**	**30,566**
Net book value at 31 July 2019	**144,605**	**15,684**	**160,289**
Net book value at 31 July 2018	36,901	16,860	53,762

Notes to the Accounts (continued)

13 Tangible fixed assets (College only)

	Land and buildings Freehold £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2018	48,665	29,420	78,085
Acquired at Merger	109,124	686	109,810
Transfer from Subsidiary	-	147	147
Additions	852	1,961	2,813
At 31 July 2019	**158,641**	**32,214**	**190,855**
Depreciation			
At 1 August 2018	11,763	12,603	24,367
Transfer from Subsidiary	-	105	105
Charge for the year	2,273	3,820	6,094
At 31 July 2019	**14,036**	**16,528**	**30,567**
Net book value at 31 July 2019	**144,605**	**15,686**	**160,289**
Net book value at 31 July 2018	36,902	16,816	53,718

Notes to the Accounts (continued)

13 Tangible fixed assets (College only) (continued)

The transitional rules set out in FRS 102 *Tangible Fixed Assets* have been applied. Accordingly the book values at implementation have been retained.

Land and buildings were valued by the three former colleges for the purpose of the 1994 financial statements at depreciated replacement cost by a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £9,533,000 *(2018: £9,703,000)* have been financed from exchequer funds. Should these assets be sold, the Group may be liable, under the terms of the financial memorandum with the ESFA, to surrender the proceeds. The Group maybe also be liable under the terms of the Transaction Unit's support to surrender future proceeds from sales of Guildford College properties.

14 Non current investments

Group	**Investment properties**	**Investment in associate**	**Other fixed asset investments**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation brought forward	2,835	1,509	50	4,394
Additions	610	-	-	610
Share of associates surplus for the year	-	219	-	219
Total	3,445	1,728	50	5,223

College	**Investment properties**	**Investment in associate**	**Other fixed asset investments**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation brought forward	2,835	-	50	2,885
Additions	610	-	-	610
Total	3,445	-	50	3,495

The Investment properties which have had valuations are The Innovation Centre in Banbury & Jericho Building in Oxford. The Innovation centre valuation was based on an independent Valuation of the property. Jericho valuation was based on an independent view of market rental rates & yields. A further investment property has been added this year through merger - the Eagle Radio Building in Guildford and valuation is at that point.

The Corporation owns 100 per cent of the issued Ordinary A shares of Activate Enterprise Limited, a company incorporated in England & Wales . The principal business activity of Activate Enterprise Limited is providing training, consulting and apprenticeships. The initial cost for this investment was £175.

The Group owns 37 per cent of The Oxford Partnership LLC, a company incorporated in Saudi Arabia. The initial cost of which was £31,598. The principal activity of The Oxford Partnership LLC is the provision of education. The investment is held by Activate Learning Investment Limited, a company limited by gurantee which is incorporated in England & Wales and which is controlled by Activate Learning. At 31st July 2019, the company's share of the Oxford Partnership LLC results is £219k; its share of Gross Assets is £5,526k and share of Gross Liabilities is £3,799k.

Notes to the Accounts (continued)

14 Non current investments (continued)

The Group owns 5 per cent of 1885 Cornhill Ltd, a company incorporated in United Kingdom. The initial cost of which was £50,000. The principal activity is the sale of food & beverage products. The investment is held by Activate Learning. The investment is not listed and is held at cost less impairment as fair value cannot be reliably determined.

15 Stock

	Group 2019 £'000	Group 2018 £'000
Equine stocks	10	-
Oil	59	-
Insights units	18	28
Total	**87**	**28**

There is no significant difference between the replacement cost of the inventory and its carrying amount.
Stocks are stated after provisions for impairment of £nil (2018: £nil).

College
The College had stocks of £69,422 at 31 July 2019 (2018: £nil).

Notes to the Accounts (continued)

16 Debtors

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due within one year:				
Trade receivables	1,743	1,288	892	655
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	-	2,264
Associate undertakings	5,000	5,000	1,892	1,892
Prepayments and accrued income	2,291	1,591	1,375	923
Other debtors	190	190	228	235
Total	9,224	8,069	4,387	5,969

17 Creditors: amounts falling due within one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans and overdrafts	-	-	726	726
Other payments received in advance	33	33	30	13
Trade payables	1,581	1,520	1,377	856
Other taxation and social security	2,444	2,326	1,030	941
Accruals and deferred income	2,944	2,493	2,341	1,479
Deferred income - government capital grants	2,168	2,168	989	989
Finance Leases	80	80	-	-
Amounts owed to the ESFA	2,043	2,043	679	747
Total	11,293	10,663	7,172	5,751

18 Creditors: amounts falling due after one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans	-	-	8,467	8,467
ESFA Loans	4,655	4,655	-	-
ESFA Conditional Grant	593	593	-	-
Finance Leases	28	28	-	-
Deferred income - government capital grants	35,586	35,586	9,852	9,852
Total	40,862	40,862	18,319	18,319

Notes to the Accounts (continued)

19 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
In one year or less	-	-	726	726
Between one and two years	-	-	726	726
Between two and five years	-	-	2,177	2,177
In five years or more	-	-	5,565	5,565
Total	**-**	**-**	**9,194**	**9,194**

The Group has repaid in full the two secured variable rate bank loans with Lloyds. This was financed as part of the Transaction Unit Restructuring Fund grant for the Guildford College Group merger In March 2019.

The Terms of the £4.655m EFSA loan is an annual fixed Interest rate of 1.66%, repayable in installments starting in July 2027.

Notes to the Accounts (continued)

20 Provisions

	Hidden Pensions	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2018	145	806	951
Transfers from Creditors	-	-	-
Expenditure in the period	-	(69)	(69)
Charge to I&E	-	-	-
Acturial Gain for the year	-	53	53
Interest Costs	-	19	19
At 31 July 2019	**145**	**808**	**953**

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

The Hidden pension provision relates to the LGPS scheme which requires that anyone who is made redundant over the age of 55 has to draw an immediate pension. The incremental cost of the additonal years pension payments is charged as a one off invoice to the employer.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and enhanced commitments have been made historically. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2019	2018
Price inflation	2.20%	1.30%
Interest rate	2.00%	2.30%

21 Cash and cash equivalents

	At 1 August 2018	Cash flows	Other changes	At 31 July 2019
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,828	4,180	-	6,008
Total	**1,828**	**4,180**	**-**	**6,008**

22 Capital commitments

	Group and College	
	2019	2018
	£'000	£'000
Commitments contracted for at 31 July 2019	178	568

Notes to the Accounts (continued)

23 Defined benefit obligations

The College's employees belong to four principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Oxford County Council, Royal County of Berkshire & Surrey Council Local Government pension schemes (LGPS) for non-teaching staff, which are each managed by their respective County councils. All of them are multi-employer defined-benefit plans. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Total pension cost for the year		**2019 £'000**		**2018 £'000**
Teachers Pension Scheme: contributions paid		2,000		1,428
Other pension schemes contributions paid		81		84
Local Government Pension Scheme:				
Contributions paid	2,771		1,795	
FRS 102 (28) charge	3,535		2,192	
Charge to the Statement of Comprehensive Income		6,306		3,987
Total Pension Cost for Year		**8,387**		**5,499**

Contributions amounting to £748,867 (2018:£ 386,432) were payable to the schemes and are included in creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' 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.

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Valuation of the Teachers' Pension Scheme

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

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

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,999,731 (2018: £1,428,000).

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds adminstered by Oxfordshire Local Authority, Royal County of Berkshire & Surrey Council. The total contribution made for the year ended 31 July 2019 was £3,704,420 of which employer's contributions totalled £2,771,279 and employees' contributions totalled £933,141. The agreed contribution rates for future years are in the range of 13.5%-28.4% for employers and range from 5.5% to 7.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	2.7% - 3.6%	3.60%
Future pensions increases	2.40%	2.40%
Discount rate for scheme liabilities	2.10%	2.80%
Inflation assumption (CPI)	2.40%	3.60%
Commutation of pensions to lump sums	44% - 50%	50%

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

	At 31 July 2019 years	At 31 July 2018 years
Retiring today		
Males	22.0 - 22.7	23.4
Females	24.0 - 24.6	25.5
Retiring in 20 years		
Males	23.7 - 24.1	25.6
Females	25.7 - 26.4	27.8

Sensitivity analysis	**At 31 July 2019 £'000**	**At 31 July 2018 £'000**
Average Real Discount rate reduction of 0.5%	2,345 - 12,573	10,516
Average Salary Increase rate increase of 0.5%	175 - 1,308	898
Average Pension Increase rate increase of 0.5%	2,160 - 11,057	9,538

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

The Corporation's share of the assets in the plan were:

	Long-term rate of return expected at 31 July 2019	Fair Value at 31 July 2019	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018
		£'000		£'000
Equities	66%	79,316	70%	41,122
Bonds	17%	20,430	18%	10,574
Property	9%	10,816	7%	4,112
Cash	5%	6,010	5%	2,938
Oth	3%	3,606	-	-
Total market value of assets	**100%**	**120,176**		**58,746**

The amount included in the statement of financial position in respect of the defined benefit pension plan is as follows:

	2019 £'000	2018 £'000
Fair value of plan assets	120,176	58,746
Present value of plan liabilities	(202,033)	(93,981)
Present value of unfunded liabilities	(85)	(68)
Net pensions (liability)	**(81,942)**	**(35,303)**

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	5,459	4,121
Past service cost	1,305	7
Total	**6,764**	**4,128**
Amounts included in investment costs		
Net interest costs	1,365	1,218
	1,365	**1,218**

Amounts recognised in Other Comprehensive Income

	2019 £'000	2018 £'000
Return on pension plan assets	4,477	3,787
Experience losses arising on defined benefit obligations	(4)	(9)
Changes in assumptions underlying the present value of plan liabilities	(14,253)	8,346
Actuarial loss in respect of enhanced pension provision	(53)	(1)
Amount recognised in Other Comprehensive Income	**(9,833)**	**12,123**

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Movement in net defined benefit (liability) during the year

	2019 £'000	2018 £'000
Deficit in scheme at 1 August	(35,303)	(44,017)
Movement in year:		
Transfer in value of net liabilities	(31,959)	-
Current service cost	(5,459)	(4,121)
Administration expenses	-	-
Employer contributions	3,230	1,936
Past service cost	(1,305)	(7)
Net interest on the defined liability	(1,365)	(1,218)
Actuarial gain or loss	(9,781)	12,124
Net defined liability at 31 July	**(81,942)**	**(35,303)**

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	94,049	96,173
Transfer in value of new liabilities at acquisition	84,580	-
Current service cost	5,459	4,121
Interest cost	3,543	2,645
Contributions by scheme participants	879	663
Experience loss on defined benefit obligation	4	9
Changes in financial assumptions	22,438	(8,346)
Estimated benefits paid	(2,030)	(1,218)
Past Service cost	1,305	7
Changes in demographic assumptions	(8,185)	-
Unfunded pension payments	76	(5)
Defined benefit obligations at end of period	**202,118**	**94,049**

Reconciliation of Assets

	2019 £'000	2018 £'000
Fair value of plan assets at start of period	58,746	52,156
Transfer in Value of new assets at acquisition	52,621	
Interest on plan assets	2,178	1,427
Return on plan assets	4,477	3,787
Employer contributions	3,230	1,936
Contributions by scheme participants	955	663
Estimated benefits paid	(2,031)	(1,223)
Administration expenses	-	-
Other actuarial gains	-	-
Assets at end of period	**120,176**	**58,746**

Notes to the Accounts (continued)

24 Related party transactions

Due to the nature of the Group's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest.

All transactions involving organisations in which a member of the Board of Governors may have an interest are in accordance with the Group's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £2,301 for 3 governors, (2018: £1,094; 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

Transactions with the ESFA and HEFCE are detailed in notes 3 and 17.

During the year the Group incurred costs in relation to The Oxfordshire Partnership LLC of £184,312. At 31 July 2019, the balance outstanding was £184,312. These costs were recharged to the Oxford Partnership and therefore are not impacting I&E.

During the year the Group charged The Oxford Partnership LLC £5,000,000 (2018: £2,000,000) for Leadership & Curriculum development Consultancy Services. At 31 July 2019, the balance outstanding was £5,000,000 (2018: £2,000,000).

Activate Learning Education Trust activity in the year relates to the agreed charges under the SLA agreement to provide Group Services, plus some payments made on behalf of ALET. During the year £1,074,441 was charged to ALET, representing charges for services for the year and £394,379 of recharged costs and therefore not impacting on the I&E. The balance outstanding on the account at 31 July 2019 was £500,286.

25 Amounts disbursed as agent

Learner support funds

	2019 £'000	2018 £'000
Balance Unspent 1 August	158	143
Net grants from the ESFA	1,053	680
	1,211	823
Disbursed to students	(970)	(629)
Administration costs	(53)	(35)
Balance unspent as at 31 July, included in creditors	**188**	**158**

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

Notes to the Accounts (continued)

26 Contingent liabilities

Each shareholder of The Oxford Partnership is obligated to issue a Performance Bond in favour of The Colleges of Excellence (the local funding agency). Activate Learning has such a bond in place which can only be called if The Oxford Partnership fails to see through its delivery contract. The bond is underwritten by insurance cover provided to Lloyds Bank by UK Export Finance, meaning the maximum contingent liability is circa £0.7m.

27 Post balance sheet event

On 14th September 2019, the company increased its shareholding to 1,000 shares of The Oxford Partnership LLC. This now represents 100% of the share capital.

28 Combinations that are in substance are a gift

On the 10th January 2019 and 29th March 2019, the assets & liabilities of Bracknell & Wokingham College & Guilford College Group were assigned to Activate Learning respectively.

The folllowing tables summarise those Assets and Liabilities at both Carry-in value and Fair Value. The Fair value is the value recognised in Activate Learning Accounts.

Bracknell & Wokingham College	**Carry-in Value £'000**	**Fair Value £'000**
Total Fixed Assets	26,136	46,680
Current Assets	1,145	1,145
Total Assets	**27,281**	**47,825**
Current Liabilities	4,005	4,005
Long-term Liabilities	31,525	31,525
Total Liabilities	**35,530**	**35,530**
Net (Liabilities) / Assets	**(8,249)**	**12,295**

Guildford College Group	**Carry-in Value £'000**	**Fair Value £'000**
Total Fixed Assets	24,385	63,739
Current Assets	3,204	3,204
Total Assets	**27,589**	**66,943**
Current Liabilities	7,054	7,054
Long-term Liabilities	30,505	30,505
Total Liabilities	**37,559**	**37,559**
Net (Liabilities) / Assets	**(9,970)**	**29,384**
Total Fair Value of Gift of Acquired Colleges Assets & Liabilities		**41,679**