Activate Learning

Members' report and financial statements

For the year ended 31 July 2017

Members' report and financial statements

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Key Management Personnel, Board of Governors and Professional Advisors

Key Management Personnel

Sally Dicketts	Chief Executive Officer; Accounting Officer
Steve Ball	Chief Financial Officer
Bernard Grenville-Jones	Executive Director
Jon Adams	Executive Director
Pablo Lloyd	Executive Director
Paul Newman	Executive Director
Cheri Fletcher	Executive Director
Lee Nichols	Executive Director

Board of Governors

A full list of Governors is given on page 13-14 of these financial statements.

Katy Whife served as Clerk to the Corporation until December 2016. Lynn Payne served as Clerk to the Corporation from January 2017.

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 Pic,
1 High Street,
Carfax,
Oxford, OX1 4AA

Solicitors:

Blake Morgan LLP
Seacourt Tower
West Way
Oxford
OX2 0FB

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31st July 2017.

Legal Status

Activate Learning is an exempt charity under Part 3 of the Charities Act 2011 and from 1st September 2013 to July 2016 was regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all Further Education (FE) Corporations in England. Responsibility for FE has now moved to the Secretary of State for Education. The members of the Corporation Body, who are trustees of the charity, are disclosed on pages 13 - 14.

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, a Further Education Corporation incorporated for the purposes of running the activities of these three Colleges on a merged basis. At the date of merger, responsibility for the financial operations of the three former Colleges passed to the Members and management of 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. Reading College retained a separate identity and continued to be locally managed as a division of OCVC. An Advisory Board was created in 2011/12, which reported to the OCVC Corporation and represented the interests of the local community and employers.

During May 2013, Rocket Consultancy Ltd was wholly acquired by OCVC. 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.

On 1st September 2013, OCVC changed its name to Activate Learning comprising the divisions of City of Oxford College, Banbury & Bicester College and Reading College.

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). At this date the business and assets of ATG Training Limited were transferred to Activate Learning.

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.

Principals we Value
Empowerment; Enterprise; Connectedness; Transformation.

Positioning
A driving force for transformational learning.

Core Thought
Further than Education.

Implementation of previous Strategic Plan

The Group's strategic plan which was set in 2014 had six strategic aims or enablers which have been actioned and monitored through a number of strategic priorities and key performance indicators:

- Develop entrepreneurially-minded and employable people by creating excellent experiences.

  We will champion change in student centered applied vocational education and training by being at the forefront of innovation and enterprise, utilising leading technological developments in our aim to deliver excellence. Our students will be highly skilled, confident, professional and entrepreneurially minded employees and citizens.
- Earn a reputation for leading edge, innovative teaching, learning and assessment.

  We will develop and implement curricula to support personalised learning. Our students will become work-ready and employable by Activate Learning responding to customer demands, using market intelligence and working in close liaison with relevant sector leads. This will be achieved by our learning and leadership philosophies.
- Energise our communities and create productive strategic partnerships.

  We will contribute to the economic success of our communities. We will develop, establish and maintain sustainable strategic partnerships, enabling employers, individuals, communities and other stakeholders to share in sustainable growth and future investment across all corporations, schools and divisions.
- Inspire collaboration to create high quality environments that provide employment and enterprise opportunities for our students.

  We will deliver a sustainable and efficiently utilised estate. Our facilities will support the collaboration required within our innovative and entrepreneurial vocational education and training models including the running of learning companies.
- Attract, develop and train a highly qualified, skilled, curious and independent workforce.

  We will be an employer of choice, attracting and retaining the best. We will support personalised learning for all our staff so that they become the best in their field, contributing to our continued developments. Our Leadership Philosophy will support and enhance these developments.
- Ensure continued financial health and solvency through growth, quality, innovation and efficiencies.

We will strengthen our position in the educational supply chain through growth in market share and expansion into new markets and territories. We will maintain our outstanding financial status. There will be a renewed and unrelenting focus on value for money ensuring efficient and effective use of resources and information.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Activate Learning

The Group comprises:

- Banbury and Bicester College
- City of Oxford College
- Reading College
- Activate Enterprise Limited
- ATG Training Limited
- Activate Learning Education Trust (a multi-academy trust which governs The Bicester School, Bicester Technology Studio, UTC Oxfordshire and UTC Reading)
- The Oxfordshire Partnership (Saudi Arabia)

Bicester Technology Studio opened in September 2016. UTC Oxfordshire and UTC Reading transferred into Activate Learning Education Trust on 1st April 2017.

Activate Learning is a 37% shareholder in The Oxford Partnership (TOP), a company registered in Saudi Arabia. TOP has a contract with Colleges of Excellence, an agency of the Saudi Government, to run four colleges for women in Saudi Arabia.

For the purposes of these Financial Statements, Activate Learning Educational Trust and UTC Reading and UTC Oxfordshire (prior to 1st April 2017) are treated as separate legal entities and the results are not, therefore, consolidated. These entities all have academy or multi academy status having individual funding agreements with the Secretary of State and individual governance structures as set out in the Academies Financial Handbook (July 2016).

The Divisions within the Group are managed by locally-based Executives, but the Group oversees the running of the Divisions and provides group 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, national agencies and other stakeholders.

Financial objectives

The Corporation's financial objectives are:

- to identify, develop and implement key strategic opportunities for new and expanding revenue income streams, as well as growth, through acquisition and in new and existing markets;
- to develop financial strategies to ensure devolved 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; and

- to identify efficiencies across all activities to maximise both a surplus and protect front-line core delivery.

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

Performance indicators

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

KPI	Target	Actual
Sector EBITDA as % of income	9.1%	7.8%
Staff costs as % of income	60%	62%
Closing Cash Balance	£1m	£1.8m
Adjusted current ratio	0.65	0.75
Borrowing as % of income	20%	18.8%
Financial Health Score	**GOOD**	**GOOD**

The Corporation is committed to observing the importance of sector measures and indicators and uses the FE Choices website which looks at measures such as success rates. The Corporation is required to complete the annual Finance Record for the Education and Skills Funding Agency which produces a financial health grading. The rating for 2015/16 improved to 'GOOD' as anticipated and the result for 2016/17 consolidates that position. The longer term strategic plan for the Group will improve this to 'OUTSTANDING'.

Financial results

The consolidated statements of comprehensive income account on page 25 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.

Activate Learning Group reported a surplus (excluding FRS 102 (28) adjustments and exceptional items) of £849k *(2016: £1,205k surplus)* as illustrated on page 8.

The Group has accumulated reserves of £33.7m (excluding pension liability of £44.0m) and cash balances of £1.8m.

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 Education and Skills Funding Agency.

Cash flows and Liquidity

Operating cash flow was a net cash in-flow of £3,339k (for 2016 there was a net cash in-flow of £4,293k). 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. The Group reserves do not include any restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £23.8m before pension liabilities (2016: £23.6m). 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

£000	**2016/17**						**2015/16**
	Activate Learning	**Activate Enterprise**	**A TG Training**	**Share of Associate**	**Consolidation Adj**	**Group**	**Group**
Total income	47,004	6,135	2,690	-	(1,889)	53,940	49,397
Total expenditure	(45,136)	(6,709)	(3,135)	-	1,889	(53,091)	(48,710)
Gifted asset on acquisition	-	-	-	-	-	-	518
Surplus / (Deficit) for the year before FRS102 adjustments and exceptional items	**1,868**	**(574)**	**(445)**	-	-	**849**	**1,205**
FRS 102 retirement benefits- pension finance cost	(1,015)	-	-	-	-	(1,015)	(976)
FRS 102 (28) charge	(1,498)	-	-	-	-	(1,498)	(1,068)
Deficit for the year before exceptional items	**(645)**	**(574)**	**(445)**	-	-	**(1,664)**	**(839)**
Exceptional items: staff restructuring	(882)	16	-	-	-	(866)	(516)
Profit on disposal of assets	1	-	-	-	-	1	1,763
Share of operating surplus / (loss) in associate	-	-	-	68	-	68	269
Total (deficit)/Surplus for the year	**(1,526)**	**(558)**	**(445)**	**68**	-	**(2,461)**	**677**

Financial Health

As noted above, the ESFA measure of Financial Health is 'GOOD' which is in line with expectations. Bank covenants have been met.

Student numbers

The Group had 12,111 learners in the period *(2016: 14,439)*.

Achievements

Success rate for the Group is 84.4% *(2016: 83.3%)* which compared with the latest published national benchmark of 82.3%.

Inspection

Activate Learning was inspected by Ofsted in December 2013. The Corporation was rated as 'Good with Outstanding features'.

Curriculum developments

The Group has made significant progress in curriculum developments linked to stretch, challenge, individualised student review and enterprise & employability.

The introduction of enterprise and employability has been focused through the development of learning companies (providing real experience of work), through the application of learning within the Corporation's own enterprise ventures and through enhancing work experience opportunities with local employers.

During the year under review, both the Technology Centre at Blackbird Leys Campus and the Care Suite in the City Of Oxford Campus, were opened. Both are examples of ongoing investment in curriculum facilities.

Our Learning Philosophy continues to provide the framework from which to build work ready learners, by providing opportunities to develop emotional intelligence, work with employers on live projects and put new skills and knowledge into practice. Dynamic relationships with employers are central to realising our aims. These partnerships enable us to co-create relevant learning programmes, enrich the learning experience and provide businesses with the talent they need to maintain a competitive edge.

2016/17 was the first year to benefit from the introduction of a faculty organisational structure within the FE Colleges. This structure promotes consistent curriculum delivery across all campuses and efficient resource utilisation.

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 endeavour to adhere to this target.

Future developments

UTC Swindon joined Activate Learning Education Trust on 1st September 2017 and negotiations for at least two other schools to join during 2017/18 are ongoing.

In July 2017, the Corporation agreed a revision to the strategic plan through to 2021, which will shape future priorities. As we enter the next phase of our journey we are building on strong foundations to deliver an unparalleled learning experience, designed to meet learner and industry needs. The new plan builds on the platform established by the existing plan and at its core is a redefining of learning and the learning professional and a dynamic network of business partnerships. Our two clear strategic objectives are to provide:

- An innovative responsive curriculum that builds a talent pipeline for business
- Teaching, learning and assessment that drives individual progress and progression

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 £33.7m of accumulated reserves (excluding a provision of £44.0m for pension liability).

People

The Group employs 1,296 people, of whom 474 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 continually improve student success rates;

  This is mitigated through a developed group improvement plan which includes initiatives to ensure that the right students are on the right course, key performance indicators are identified, monitored and understood and strategies are in place to improve teaching and learning
- Failure to grow sufficiently to offset public sector funding cuts;

  Research is undertaken into the local market and information collected to identify alternative funding streams and to grow our commercial income streams, particularly through developing strong relationships with employers.
- Inability to recruit staff with appropriate skills and motivation;

This is mitigated through effective staff recruitment policies as well as monitoring of employment trends and the group's competitor offer.

- The marketing strategy may not deliver enrolment targets.

  Curriculum and Career Pathways developments ensure curriculum reflects stakeholder needs, along with improved 'live' planning processes and coordinated marketing plans.

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 FE institutions, university partners, trade unions and professional bodies. The Group recognises the importance of these relationships and engages in regular communication with them.

EQUALITY & 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 all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The 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.

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 11th December 2017 and signed on its behalf by:

....

Chris Jones, Chairman

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 2016 to 31st July 2017 and up to the date of approval of the annual report and financial statements.

The Group endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. 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 of resignation	Status of appointment	Attendance at Corporation meetings	Committees Served
Chris Jones	29.03.11 Reappointed 28.02.05	4 years		External	5/5	Remuneration, Search
Sally Dicketts	01.10.03	Exofficio		CEO	5/5	Remuneration, Search
Paddy Austin	14.07.15	4 years		External	4/5	Remuneration
Marie Brankin	18.10.11 Reappointed 17.10.15	4 years		External	5/5	Audit & Risk
James Dipple	08.07.14	4 years		External	3/5	Remuneration, Search
Jamie Dunn	22.03.16	4 years	05.04.17	External	0/3	

Evelyn James	18.07.12 Reappointed 17.07.16	4 years		External	3/5	Audit & Risk
Tracey James	17.07.13	4 years		External	5/5	Audit & Risk, Search, Governance
Mike Jennings	08.07.14	4 years	12.12.16	External	0/1	Audit & Risk
Craig Marshall	22.03.16	4 years	12.12.16	External	0/1	
Dermot Mathias	22.03.16	4 years		External	4/5	Search, Governance
Pauline Odulinski	08.07.14	4 years		External	5/5	Search, Governance
Nina Robinson	24.03.15	4 years		External	4/5	Audit & Risk
Stuart Trafford	12.07.16	4 years	12.12.16	External	1/1	
Malcolm Wickes	12.07.16	4 years		External	5/5	Audit & Risk
Julia Von Klonowski	14.10.14	4 years		External	2/5	
Peter Hudson	09.10.15	2 years	31.07.17	Internal - Staff	3/5	
Sarah Britten Jones	09.10.15	2 years	31.07.17	Internal - Staff	4/5	
Francesca Rendor Britton	10.01.17	1 year	31.07.17	Internal - Student	1/3	
Hector Garay	10.01.17	1 year	31.07.17	Internal - Student	2/3	

Katy Whife served as Clerk to the Corporation until December. Lynn Payne served as Clerk to the Corporation from January 2017.

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 College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets five 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 '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 2017 and graded itself as 'good' on the Ofsted scale

Remuneration Committee

Throughout the year ending 31st July 2017, the College's remuneration committee had 5 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 2017 are set out in note 8 of the Financial Statements.

Audit Committee

The Audit and Risk Committee comprises four 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 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 the Education and Skills Funding Agency (ESFA). She 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 2017 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 (HIA) annually provides the Corporation with a report on internal audit activity in the Group. The report includes the HIA'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 2017 meeting, the Corporation carried out the annual assessment for the year ended 31st July 2017 by considering documentation from the Group Executive Team and internal audit, and taking account of events since 31st July 2017.

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 the 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 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

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

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

Going Concern

The College has agreed additional facilities from its bankers in order to meet its obligations as they fall due. With these facilities, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 11th December 2017 and signed on its behalf by:

....	....
Chris Jones, Chairman	**Sally Dicketts, Group Chief Executive**

Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with 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 College, or material non-compliance with the Education and Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

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

Chris Jones, Chairman

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 2016 to 2017 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 11th December 2017 and signed on its behalf by:

....
Chris Jones, Chairman

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 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, the consolidated and College Statement of Financial Position, 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 2017 and of the College's deficit of income over expenditure for the year then ended;
- 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 Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation 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.

Other information

The Corporation are responsible for the other information. The other information comprises the information included in the members 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 members report, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit.

Responsibilities of Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 20, the Corporation 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 Corporation 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 Corporation 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 Corporation 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. This report is made solely to the Corporation 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 Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

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.

Mazars

Chartered Accountants and Statutory Auditor
90 Victoria Street
Bristol
BS1 6DP
Date 18/12/17

Independent regularity report to the Corporation of Activate Learning ('the Corporation') and the Secretary of State for education acting through the Department for Education ('the Department')

In accordance with the terms of our engagement letter dated 24 July 2017 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 2016 to 31 July 2017 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 2016 to 31 July 2017 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
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached
- 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 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed:
Mazars LLP
Date: 18/12/17

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
INCOME					
Funding body grants	3	45,395	38,657	40,590	35,693
Tuition fees and education contracts	4	4,317	3,894	4,522	4,849
Other grants and contracts	5	554	522	329	329
Other income	6	3,674	3,903	4,468	4,158
Investment income	7	0	28	4	33
Total income		**53,940**	**47,004**	**49,913**	**45,063**
EXPENDITURE					
Staff costs	8	33,983	29,834	31,040	28,208
Fundamental restructuring costs	9	866	882	516	519
Other operating expenses	10	15,516	11,812	14,171	12,381
Depreciation	13	4,573	4,472	4,013	3,996
Interest and other finance costs	11	1,532	1,531	1,527	1,527
Total expenditure		**56,470**	**48,531**	**51,268**	**46,632**
(Deficit) before other gains and losses		**(2,530)**	**(1,527)**	**(1,355)**	**(1,569)**
Profit on disposal of assets		1	1	1,763	1,763
Share of operating surplus in associates		68	-	269	-
(Deficit)/surplus before tax		**(2,461)**	**(1,526)**	**677**	**194**
Taxation	12	-	-	-	-
(Deficit)/surplus for the year		**(2,461)**	**(1,526)**	**677**	**194**
Actuarial loss in respect of pensions schemes	23	(2,802)	(2,802)	(10,834)	(10,834)
Total Comprehensive Income for the year		**(5,263)**	**(4,328)**	**(10,156)**	**(10,640)**

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 1st August 2015	**(5,100)**	**10,213**	**5,113**
Surplus from the income and expenditure account	677		677
Other comprehensive income	(10,834)		(10,834)
Transfers between revaluation and income and	170	(170)	-
	(9,986)	(170)	(10,156)
Balance at 31st July 2016	**(15,086)**	**10,043**	**(5,043)**
Deficit from the income and expenditure account	(2,461)		(2,461)
Other comprehensive income	(2,802)		(2,802)
Transfers between revaluation and income and expenditure reserves	170	(170)	-
Total comprehensive income for the year	(5,093)	(170)	(5,263)
Balance at 31st July 2017	**(20,179)**	**9,873**	**(10,306)**
College			
Balance at 1st August 2015	**(4,092)**	**10,213**	**6,121**
Surplus from the income and expenditure account	194		194
Other comprehensive income	(10,834)		(10,834)
Transfers between revaluation and income and expenditure reserves	170	(170)	-
	(10,469)	(170)	(10,639)
Balance at 31st July 2016	**(14,561)**	**10,043**	**(4,518)**
Deficit from the income and expenditure account	(1,526)		(1,526)
Other comprehensive income	(2,802)		(2,802)
Transfers between revaluation and income and expenditure reserves	170	(170)	-
Total comprehensive income for the year	(4,158)	(170)	(4,328)
Balance at 31st July 2017	**(18,719)**	**9,873**	**(8,846)**

Statement of Financial Position as at 31 July 2017

	Notes	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Fixed assets					
Tangible fixed assets	13	57,180	56,694	58,648	58,145
Investments	14	337	37	269	
		57,517	**56,731**	**58,917**	**58,145**
Current assets					
Stocks	15	9	-	40	-
Assets held for sale		-	-	-	-
Trade and other receivables	16	3,027	4,347	2,813	3,436
Cash and cash equivalents	21	1,791	1,705	1,679	1,606
		4,827	**6,052**	**4,532**	**5,042**
Less: Creditors – amounts falling due within one year	17	(7,710)	(6,951)	(7,846)	(7,259)
Net current assets		**(2,883)**	**(899)**	**(3,313)**	**(2,217)**
Total assets less current liabilities		**54,634**	**55,832**	**55,603**	**55,928**
Less: Creditors – amounts falling due after more than one year	18	(19,877)	(19,815)	(20,830)	(20,830)
Net assets before provisions		34,757	36,017	34,774	35,099
Provisions					
Other provisions	20	(1,046)	(846)	(1,173)	(973)
Defined benefit obligations	23	(44,017)	(44,017)	(38,644)	(38,644)
Total net liabilities		**(10,306)**	**(8,846)**	**(5,043)**	**(4,518)**
Unrestricted reserves					
Income and expenditure account		(20,179)	(18,719)	(15,086)	(14,561)
Revaluation reserve		9,873	9,873	10,043	10,043
Total unrestricted reserves		**(10,306)**	**(8,846)**	**(5,043)**	**(4,518)**

The financial statements on pages 25 to 57 were approved and authorised for issue by the Corporation on 11 December 2017 and were signed on its behalf on that date by:

Chris Jones, Chair

Sally Dicketts, Group Chief Executive

Consolidated Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
Cash inflow from operating activities			
deficit/Surplus for the year		**(2,461)**	**677**
Adjustment for non cash items			
Depreciation (note 13)		4,573	4,013
Gift of net asset of ATG Training		-	(518)
Share of operating (profit)/loss of associate		(68)	(269)
Deferred capital grants released to income (note 17)		(991)	(550)
FRS 102 (28) pension charge (note 11 & 23)		2,513	1,068
Decrease/(increase) in stock		31	(40)
(Increase)/decrease in debtors (note 16)		(213)	1,672
Increase/(decrease) in creditors (note 17)		(451)	(1,430)
(Decrease) in provisions (note 20)		(69)	(74)
Adjustment for investing or financing activities			
Interest receivable (note 7)		(0)	(4)
Interest payable (note 11)		476	1,511
Profit on sale of assets held for sale		(1)	(1,763)
Net cash flow from operating activities		**3,339**	**4,293**
Cash flows from investing activities			
Purchase of subsidiary (net of cash acquired)			109
Proceeds from sale of assets held for sale			2,138
Interest received		(0)	4
Purchase of tangible fixed assets		(3,103)	(7,720)
Deferred capital grants received		1,079	3,252
Net cash out flow from investing activities		**(2,024)**	**(2,217)**
Cash flows from financing activities			
Interest paid		(476)	(535)
Repayment of bank loans		(727)	(726)
Net cash out flow from financing activities		**(1,203)**	**(1,261)**
Increase / (decrease) in cash and cash equivalents in the year		**112**	**815**
Cash and cash equivalents at beginning of the year	20	1,679	864
Cash and cash equivalents at end of the year	20	1,791	1,679

Notes (forming part of the financial statements)

1 General information

These financial statements comprising the Consolidated Statement of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Statement of Financial Position and Consolidated Statement of Cash Flows and the related notes 1 to 25 constitute the consolidated financial statements of Activate Learning for the financial year ended 31 July 2017.

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 (FE) 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 4.

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 2016 to 2017 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College 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 Corporation accounting policies.

Basis of consolidation

The consolidated financial statements include the Corporation and its subsidiaries, Activate Enterprise, Activate Learning Investments Limited and ATG Training 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 2017.

Notes (forming part of the financial statements)

2. Accounting Policies (Continued)

Going concern

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

The Corporation currently has £10.0m of loans outstanding with bankers. The Corporation has agreed in principal an overdraft facility with its bankers but the final amount is yet to be set. It is anticipated this will be concluded shortly.

The Corporation's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the Corporation 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 Corporation is entitled to the funds subject to any performance related conditions being met.

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.

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 (forming part of the financial statements)

2. Accounting Policies (Continued)

Accounting for post-employment benefits

Post-employment benefits to employees of the Corporation 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 Corporation 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 Corporation 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 Corporation. Any unused benefits are accrued and measured as the additional amount the Corporation 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 the Corporation 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 Corporation'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.

Notes (forming part of the financial statements)

2. Accounting Policies (Continued)

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.

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 College.

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 Corporation 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 2017. 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 College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

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

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

- 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.

Notes (forming part of the financial statements)

2. Accounting Policies (Continued)

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 Corporation 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 Corporation substantially all the benefits and risks of ownership of an asset are treated as finance leases.

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.

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 Corporation 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.

Notes (forming part of the financial statements)

2. Accounting Policies (Continued)

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 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 Corporation's 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 Corporation 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 Corporation 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 Corporation. 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.

Notes (forming part of the financial statements)

2. Accounting Policies (Continued)

Agency arrangements

The Corporation 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 Corporation where the Corporation is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

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.

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 2017.

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

- **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 statements.

Notes to the Accounts (continued)

3 Funding council grants

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Recurrent grants				
Education and Skills Funding Agency - adult	5,347	4,993	4,439	4,412
Education and Skills Funding Agency – 16 -18	32,828	30,674	29,477	29,001
Education and Skills Funding Agency - apprenticeships	4,230	0	4,394	0
Higher Education Funding Council	2,025	2,025	1,934	1,934
Specific Grants				
Releases of government capital grants	461	461	271	271
Other Grants	504	504	76	76
Total	45,395	38,657	40,591	35,694

4 Tuition fees and education contracts

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Adult education fees	1,050	1,050	1,127	1,268
Apprenticeship fees and contracts	321	0	344	-
Fees for FE loan supported courses	1,284	1,279	1,175	1,174
International students fees	273	273	354	354
Total tuition fees	2,928	2,602	3,000	2,796
Education contracts	1,389	1,292	1,522	2,053
Total	4,317	3,894	4,522	4,849

5 Other grants and contracts

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Release of Other Government Capital Grants	530	498	279	279
Other Grants - Curriculum Areas	15	15	10	10
Other Grants - Support Areas & CEP	9	9	40	40
Total	554	522	329	329

Notes to the Accounts (continued)

6 Other income

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Catering and residences	417	417	753	753
Other income generating activities	3,178	3,410	3,146	3,358
Miscellaneous income	79	76	52	48
Gift of net assets of ATG			518	-
Total	3,674	3,903	4,468	4,158

7 Investment income

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Group interest receivable	-	28	-	29
Other interest receivable	0	0	4	4
Total interest income on financial assets not measured at fair value through profit or loss	**0**	**28**	**4**	**33**

Notes to the Accounts (continued)

8 Staff costs - Group and College

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

	2017 No.	2016 No.
Teaching staff	301	400
Non teaching staff	521	571
	822	971

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

	2017 No.	2016 No.
Teaching staff	474	630
Non teaching staff	821	900
	1,295	1,530

Staff costs for the above persons

	2017 £'000	2016 £'000
Wages and salaries	25,604	23,825
Social security costs	2,103	1,723
Other pension costs (includes FRS102 (28) adjustments of £1,498,000, 2016: £1,068,000)	4,932	4,255
Payroll sub total	**32,639**	**29,802**
Contracted out staffing services	1,344	1,238
Staff costs	**33,983**	**31,040**

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

	2017 No.	2016 No.
The number of key management personnel including the Group Chief Executive was:	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:

	2017 Key management Personnel	2017 Other staff	2016 Key management Personnel	2016 Other staff
£40,000 to £50,000			1	
£50,001 to £60,000		1		1
£60,001 to £70,000		4		6
£70,001 to £80,000		2	1	1
£80,001 to £90,000	1		2	
£90,001 to £100,000	1		1	
£100,001 to £110,000	1		1	
£110,001 to £120,000	1		1	
£120,001 to £130,000	2			
£130,001 to £140,000				
£140,001 to £150,000				
£150,001 to £160,000	1			
£160,001 to £170,000				
£170,001 to £180,000	1		1	
£180,001 to £190,000				
£190,00 to £200,000				
£200,00 to £210,000				
£210,00 to £220,000				
	8	7	8	8

Notes to the Accounts (continued)

8 Staff costs - Group and College

Key management personnel emoluments are made up as follows:

	2017 £'000	2016 £'000
Salaries	944	847
Employers National Insurance	0	105
Benefits in kind	8	6
	952	958
Pension contributions	131	118
Total emoluments	1,083	1,076

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

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

	2017 £'000	2016 £'000
Salaries	173	168
Benefits in kind	5	5
	178	173
Pension contributions	18	18

Compensation for loss of office paid to former key management personnel

	2017 £	2016 £
Compensation paid to the former post-holder - contractual	-	80
Estimated value of other benefits, including provisions for pension benefits	-	-

The severance payment was approved by the College's remuneration committee.

The members of the Corporation other than the Group Chief Executive and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Notes to the Accounts (continued)

9 Fundamental restructuring costs

	2017 £'000	2016 £'000
Exceptional staff restructuring	866	133
Reorganisation costs - Early Retirement costs & Professional fees		384
	866	**516**

Notes to the Accounts (continued)

10 Other operating expenses

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Teaching costs	8,540	5,287	6,695	6,230
Non teaching costs	3,300	2,717	3,622	3,378
Premises costs	3,523	3,463	3,324	2,428
Impairment of trade receivables	153	345	426	345
The amount of stock recognised as an expense	0	0	105	-
Foreign exchange losses / (gains)	-	-	-	-
Operating lease payments recognised as an expense	-	-	-	-
Total	**15,516**	**11,812**	**14,171**	**12,381**

Other operating expenses include:	**2017 £'000**	**2016 £'000**
Auditors' remuneration:		
Financial statements audit*	44	26
Internal audit**	35	37
Other services provided by the financial statements auditors		1
Other services provided by the internal auditors		

* includes £19,890 in respect of the College (2015/16 £20,500)
** internal audit (all in respect of the college)

Notes to the Accounts (continued)

11 Interest payable - Group and College

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:	476	535
Total interest expense on financial liabilities not measured at fair value through profit or loss	476	535
Bank charges	41	16
Net interest on defined pension liability (note 23)	1,015	976
Total	**1,532**	**1,527**

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	Equipment	Assets in the Course of Construction	Total
	Freehold £'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	63,685	30,056	6,863	100,604
Reclassification	(483)	483		-
Commissioned	7,575	2,017	(9,592)	-
Disposals				-
Additions	-	84	3,021	3,105
				-
At 31 July 2017	**70,777**	**32,640**	**292**	**103,709**
Depreciation				
At 1 August 2016	18,159	23,797	-	41,956
Reclassification	(36)	36		-
Depreciation in relation to disposal				-
Charge for the year	2,573	2,000		4,573
At 31 July 2017	**20,696**	**25,833**	**-**	**46,529**
Net book value at 31 July 2017	**50,081**	**6,807**	**292**	**57,180**
Net book value at 31 July 2016	45,526	6,259	6,863	58,648

Notes to the Accounts (continued)

13 Tangible fixed assets (College only)

	Land and buildings Freehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	63,255	29,977	6,852	100,084
Reclassification	(483)	483		-
Commissioned	7,575	2,017	(9,592)	-
Disposals			-	-
Additions			3,021	3,021
At 31 July 2017	**70,347**	**32,477**	**281**	**103,105**
Depreciation				
At 1 August 2016	18,148	23,791	-	41,939
Reclasification	(36)	36	-	-
Depreciation in relation to disposal	-	-	-	-
Charge for the year	2,472	2,000	-	4,472
At 31 July 2017	**20,584**	**25,827**	**0**	**46,411**
Net book value at 31 July 2017	**49,763**	**6,650**	**281**	**56,694**
Net book value at 31 July 2016	45,107	6,186	6,852	58,145

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 £9,873,000 *(2016: £10,043,000)* 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 Skills Funding Agency, to surrender the proceeds.

14 Non current Investments

	Group 2017 £'000	Group 2016 £'000
Investments in subsidiary companies	-	-
Investments in associate companies	337	269
Total	**337**	**269**

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.

15 Stock

	Group 2017 £'000	Group 2016 £'000
Insights units	**9**	**40**

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 (2016: £nil).

College
The College had no stocks at 31 July 2017 (2016: £nil).

Notes to the Accounts (continued)

16 Debtors

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due within one year:				
Trade receivables	1,923	1,063	922	625
Amounts owed by group undertakings:				
Subsidiary undertakings	-	2,647	-	1,564
Associate undertakings		149		-
Prepayments and accrued income	527	338	910	410
Other debtors	577	150	981	837
Total	3,027	4,347	2,813	3,436

Notes to the Accounts (continued)

17 Creditors: amounts falling due within one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans and overdrafts	726	726	726	726
Other payments received in advance	121	121	136	136
Trade payables	1,217	847	1,954	1,671
Other taxation and social security	1,098	1,030	1,104	1,079
Accruals and deferred income	2,797	2,441	2,357	2,078
Deferred income - government capital grants	996	996	681	681
Amounts owed to the ESFA	755	790	887	887
Total	7,710	6,951	7,845	7,258

18 Creditors: amounts falling due after one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans	9,228	9,228	9,955	9,955
Deferred income - government capital grants	10,649	10,587	10,875	10,875
Total	19,877	19,815	20,830	20,830

Notes to the Accounts (continued)

19 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	726	726	726	726
Between one and two years	726	726	726	726
Between two and five years	2,177	2,177	2,177	2,177
In five years or more	6,326	6,326	7,053	7,053
Total	9,955	9,955	10,682	10,682

The Group has two unsecured variable rate bank loans which are repayable by instalments falling due between May 2014 and May 2029. The interest payable is between 4.45% and 4.75%.

Notes to the Accounts (continued)

20 Provisions

	Group		
	Enhanced pensions	ATG Dilapidation Provision	Total
	£'000	£'000	£'000
At 1 August 2016	973	200	1,173
Expenditure in the period	(69)		(69)
Acturial loss for the year	(92)		(92)
Interest Costs	34		34
At 31 July 2017	846	200	1,046

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

The principal assumptions for this calculation are:

	2017	2016
Price inflation	1.30%	1.30%
Interest rate	2.30%	2.30%

21 Cash and cash equivalents

	At 1 August 2016 £'000	Cash flows £'000	Other changes £'000	At 31 July 2017 £'000
Cash and cash equivalents	1,679	112		1,791
Overdrafts	-	.	-	-
Total	1,679	112	-	1,791

22 Capital commitments

	Group and College	
	2017 £'000	2016 £'000
Commitments contracted for at 31 July	204	172

Notes to the Accounts (continued)

23 Defined benefit obligations

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

Total pension cost for the year		**2017 £'000**		**2016 £'000**
Teachers Pension Scheme: contributions paid		1,599		1,530
Other pension schemes contributions paid		-		-
Local Government Pension Scheme:				
Contributions paid	1,834		1,657	
FRS 102 (28) charge	1,498		1,068	
Charge to the Statement of Comprehensive Income		3,332		2,725
Enhanced pension charge to Statement of Comprehensive Income				27
Total Pension Cost for Year		**4,931**		**4,282**

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.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.
The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:
- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
httos://www.teachersoensions.co.uk/news/emolovers/2014/06/oublication-of-the-valuation-reoort.asox

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 £1,599,000 £ (2016: £1,530,000)

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 Corporation is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the Corporation 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 Corporation has set out above the information available on the plan and the implications for the Corporation 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 . The total contribution made for the year ended 31 July 2017 was £2,534,001 of which employer's contributions totalled £1,834,429 and employees' contributions totalled £699,572 . The agreed contribution rates for future years are 13.5 % 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 2017 by a qualified independent actuary

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	4.20%	4.00%
Future pensions increases	2.70%	2.20%
Discount rate for scheme liabilities	2.70%	2.60%
Inflation assumption (CPI)	2.70%	2.20%
Inflation assumption (RPI)	3.60%	3.10%

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 2017	At 31 July 2016
	years	years
Retiring today		
Males	23.40	23.30
Females	25.50	25.80
Retiring in 20 years		
Males	25.60	25.60
Females	27.80	28.10

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

The Corporation's share of the assets in the plan and the expected rates of return were:

	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017 £'000	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016 £'000
Equities		32,173		27,325
Gilts		7,761		5,525
Bonds		2,519		1,533
Property		3,391		3,114
Cash		2,009		1,443
Other		4,303		3,238
Total market value of assets		**52,156**		**42,178**
Weighted average expected long term rate of return	**17.00%**		**8.00%**	

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

	2017 £'000	2016 £'000
Fair value of plan assets	52,156	42,178
Present value of plan liabilities	(96,109)	(80,756)
Present value of unfunded liabilities	(64)	(66)
Net pensions (liability)	**(44,017)**	**(38,644)**

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	3,352	2,538
Past service cost		347
Total	**3,352**	**2,885**
Amounts included in investment costs		
Net interest costs	981	953
	981	**953**

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	6,069	1,439
Experience losses arising on defined benefit obligations	(2,184)	
Changes in assumptions underlying the present value of plan liabilities	(6,779)	(12,246)
Actuarial loss in respect of enhanced pension provision	92	(27)
Amount recognised in Other Comprehensive Income	(2,802)	(10,834)

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit (liability) during the year

	2017 £'000	2016 £'000
Deficit in scheme at 1 August	(38,644)	(25,816)
Movement in year:		
Current service cost	(3,352)	(2,538)
Administration expenses	(6)	(32)
Employer contributions	1,860	1,849
Past service cost	-	(347)
Net interest on the defined (liability)/asset	(981)	(953)
Actuarial gain or loss	(2,894)	(10,807)
Net defined liability at 31 July	**(44,017)**	**(38,644)**

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	80,822	63,834
Current Service cost	3,352	2,538
Interest cost	2,111	2,422
Experience loss/(gain) on defined benefit Obligation	2,184	-
Changes in demographic assumptions	78	-
Contributions by Scheme participants	703	674
Changes in financial assumptions	6,930	12,246
Estimated benefits paid	(1)	(1,234)
Past Service cost & Curtailments	-	347
Unfunded pension payments	(6)	(5)
Defined benefit obligations at end of period	**96,173**	**80,822**

Reconciliation of Assets

	2017 £'000	2016 £'000
Fair value of plan assets at start of period	42,178	38,018
Interest on plan assets	1,130	1,469
Return on plan assets	6,069	1,439
Administration expenses	(6)	(32)
Employer contributions	1,860	1,849
Contributions by Scheme participants	703	674
Estimated benefits paid	(7)	(1,239)
Other actuarial gains/(losses)	229	-
Assets at end of period	**52,156**	**42,178**

The total return on the fund assets for the year to 31 July 2017 is £7,199,000

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 £294; 2 governors, (2016: £795; 3 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

A board member of the Corporation is a partner of a Education-focused business consultancy firm. An amount of £8,824 was paid to Optima Business Consultancy during the financial year (2016: £0) and there was no balance outstanding at 31 July 2017 (2016: £0).

Transactions with the ESFA and HEFCE are detailed in notes 2 and 15.

During the year the Group incurred costs in relation to The Oxfordshire Partnership LLC of £275,991. At 31 July 2017, the balance outstanding was £149,317. These costs incurred in relation to Oxford Partnership were recharges and therefore not impacting I&E.

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 £341,491 was charged to ALET, representing charges for services for the year & £265,889 were recharges and therefore not impacting on the I&E. The balance outstanding on account of £502,552.

These costs incurred in relation to Oxford Partnership and ALET were recharges and therefore nothing impacting I&E.

25 Amounts disbursed as agent

Learner support funds

	2017 £'000	2016 £'000
Balance Unspent 1 August	277	990
Net grants from the ESFA	888	797
	1,165	1,787
Disbursed to students	(898)	(1,347)
Administration costs	(63)	(163)
Balance unspent at 31 July	204	277

Grants from the ESFA are available solely for students. In the majority of instances, the Group only acts as a paying agent. In these circumstances, the grants and related disbursements have therefore been excluded from the Statement of Comprehensive Income, other than when the Group has directly incurred expenditure itself.