ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2021

Group members

Colleges

- Banbury and Bicester College
- Bracknell and Wokingham College
- City of Oxford College
- Farnham Sixth Form College
- Guildford College
- Merrist Wood College
- Reading College
- The Oxford Partnership colleges (Saudi Arabia)

Schools

- The Bicester School
- Bicester Technology Studio
- Theale Green School
- UTC Heathrow
- UTC Oxfordshire
- UTC Reading
- UTC Swindon

Training

- Activate Apprenticeships
- Activate Business School

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISORS

Key Management Personnel

Sally Dicketts	Chief Executive Officer and Accounting Officer
Steve Ball	Chief Financial Officer
Bernard Grenville-Jones	Group Executive Director
Cheri Ashby	Group Executive Director
Fiona Stillwell	Group Executive Director and MD, Apprenticeships
Gill Davidson	Group Executive Director
Jon Adams	Group Executive Director
Paul Newman	Group Executive Director

Board of Governors

A full list of Governors is on pages 15 and 16 of these Financial Statements. Perry Perrott serves as Clerk to the Corporation.

Professional Advisers

Financial Statements and Regularity Auditors	Internal Auditors:
Mazars LLP 90 Victoria Road Bristol BS1 6DP	RSM Risk Assurance Services LLP 66 Chiltern Street London W1U 4GB
Bankers	**Solicitors:**
Lloyds TSB Bank Plc High Street Carfax Oxford OX1 4AA	Blake Morgan LLP Seacourt Tower West Way Oxford OX2 0FB
	Eversheds 1 Wood Street London EC2V 7WS

REPORT OF THE GOVERNING BODY

OBJECTIVES AND STRATEGY

The Governing body present their Annual Report with the Financial Statements and Auditor's Report for Activate Learning for the year ended 31st July 2021.

Legal Status

Activate Learning (the Corporation) is a Further Education Corporation established on 1st April 2003 under the provisions of the Further and Higher Education Act 1992. The Corporation was established under the name Oxford and Cherwell College for the purpose of operating Oxford College of Further Education, North Oxfordshire College and Rycotewood College.

The Corporation is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all Further Education Corporations in England. The Members of the Corporation body, who are trustees of the Charity, are disclosed on pages 15 and 16.

Since 2003, the group has grown as other Colleges have joined:

- Reading College on 1st August 2012
- Bracknell & Wokingham College on 10th January 2019
- Guildford College, Merrist Wood College and Farnham College (together forming The Guildford College Group) on 29th March 2019.

The addition of Reading College in 2012 prompted a name change for the Corporation to Activate Learning, which was effective from September 2013, while local college names are maintained on a campus basis.

On 1st June 2014, the apprenticeship and consultancy business of Activate Learning was transferred to Activate Enterprise Limited, a wholly owned subsidiary of the Corporation. This included the activities of Rocket Consultancy Limited, which were acquired in 2013.

During 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. In September 2019, Activate Learning acquired the remaining shares and the Financial Statements now include the benefit of its consolidation as a wholly owned subsidiary.

On 1st June 2016 Activate Learning became the sole member of ATG Training Limited, a company limited by guarantee and charity. ATG Training Limited was dissolved in December 2019 after all assets, liabilities and activities had been transferred to the Corporation.

Public Benefit

In setting and reviewing the Corporations Strategic objectives, the Governing Body has had due regard for the Charity Commissions 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 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 and transforming lives through our Learning Philosophy by empowering every learner to reach their full potential.

Vision

To achieve far reaching progressive change and impact through learning

Strategic Plan

A new Group Strategic Plan has been developed for the period 2021 to 2025, which reflects our ambition for growth and development over the period. At the plan's core are the journeys we set out for our learners, our staff and the employers we work with. We illustrate how our Learning Philosophy ignites those journeys and we articulate the strategic drivers (neuroscience, technology, globalisation, wellbeing and sustainability) that underpin our plan.

We call our strategy 'Empowering Learning' and it is an evolution of our previous strategy, 'Learning Reimagined'.

The strategy establishes three key strategic objectives, one for each journey, which are monitored through key performance indicators:

- With our Learners, we will co-create a highly memorable learner experience, with impactful, high-quality learning and feedback, empowering learners' progress.
- With our Staff, we will co-create a culture that values and sustains a love for professional development, interdependent learning communities, and builds progressive career paths.
- With our Employer Partners, we will co-create an exciting and responsive curriculum that empowers our learners to become highly enterprising and employable.

Our key measurement of progress and continuous improvement will be feedback. We will also measure our progress through key performance indicators related to operational delivery (including learner numbers, quality, staff attraction, staff retention, learner destinations and employer satisfaction) and change (including business system investment, culture development and engagement with an alumni scheme).

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Activate Learning operates activities from a number of college campuses across Berkshire, Oxfordshire and Surrey:

- Banbury and Bicester College
- Bracknell & Wokingham College

- City of Oxford College (including the Technology Campus at Blackbird Leys)
- Farnham College
- Guildford College
- Merrist Wood College
- Reading College

The Corporation owns 100% of the shares in The Oxford Partnership LLP, a company registered in Saudi Arabia. Until 2020, The Oxford Partnership operated colleges for female students in Saudi Arabia. With the funding contract not renewed, the entity is in the process of being wound up. The Corporation also owns 100% of the shares in Activate Enterprise Limited, an apprenticeship training provider, which works directly with employers and uses college campuses as appropriate.

Activity is structured into Operating Divisions, which are managed by locally based Executives. The Group oversees the running of the Divisions and provides group wide shared services. A cross campus faculty structure provides 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 or national agencies and other stakeholders.

Activate Learning is a member and sponsor of Activate Learning Education Trust (ALET). An independent Board controls ALET and the results are not consolidated within these Financial Statements. ALET has multi academy status having an individual funding agreement with the Secretary of State and an independent governance structure as set out in the Academies Financial Handbook (September 2020).

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

Financial Objectives

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

This strategy continues to be underpinned by ongoing financial objectives:

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

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

The college mergers completed in 2019 fully supported longer term achievement of the financial strategy and objectives. The additional scale affords considerable opportunity to generate further efficiency and longer term income growth.

Performance Indicators

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

The table below shows performance against targets set for the year ended 31st July 2021:

KPI	Target	Actual
Sector EBITDA as % of income	5%	1.7%
Staff cost as % of income	67%	69.9%
Closing cash balance	£10.5m	£18.8m
Adjusted current ratio	1.7	2.0
Borrowing as % of income	< 20%	5.5%
Financial health score	Good	Good

The KPIs (targets and actual measures) exclude the results and balances of The Oxford Partnership LLP and therefore represent the performance of core operations only.

Financial performance has been significantly impacted again by the disruption caused by the COVID-19 pandemic. We estimate approximately £5.5m of income reduction in the year to 31st July 2021 due to various ‘lock-downs’ and the challenges in face to face learning once campuses re-opened. This income reduction directly reduced EBITDA by around £4.5m and while some alternative income streams were identified during the year, they generated lower contribution to central costs than those that were lost.

The Corporation is committed to observing the importance of sector measures and indicators and uses the FE Choices website that looks at measures such as success rates. The Education and Skills Funding Agency (ESFA) produces a Financial Health grading for all Further Education providers, based on regular financial data submissions. The rating for Activate Learning has been ‘GOOD’ for several years with sustained improvement against all measures and, despite the COVID-19 impact, this is the outcome again in 2021 (when excluding The Oxford Partnership as a discontinued operation).

Financial Results

The Consolidated Statements of Comprehensive Income account on page 31 consolidates the results of Activate Learning, Activate Enterprise Limited and The Oxford Partnership. A summary of the Group’s income and expenditure is analysed over the page.

Reduction in income and surplus are reported due to the impact of the COVID-19 pandemic and the expiry of the funding contract for The Oxford Partnership in Saudi Arabia. The Oxford Partnership is identified as a discontinuing operation in the financial statements.

A number of income streams were interrupted by the disruption caused by the COVID -19 pandemic, materially affecting the surplus for the year. It is estimated that up to £5.5m of income was lost, which reduced EBITDA and the total surplus by around £4.5m.

Due to these COVID-19 related losses, the Corporation is reporting a deficit (excluding FRS102 pension adjustments and exceptional items) of £5.9m (2020 surplus of: £13.3m). Only

£3.7m of the deficit relates to continuing operations. The Group has accumulated reserves of £133.0m (excluding pension liability of £104.2m) and cash balances of £25.4m (2020 reserves of £136.5m and cash of £15.2m).

£000s	2020/21						2019/20
	Activate Learning	Activate Enterprise	Inter Company	Continuing Operations	The Oxford Partnership	Group	Group
Total Income	80,354	6,645	(3,113)	**83,886**	359	**84,245**	115,454
Total Expenditure	(83,902)	(6,787)	3,113	**(87,576)**	(2,568)	**(90,144)**	(102,182)
(Deficit) / surplus for the year before FRS102 adjustments and exceptional items	**(3,548)**	**(142)**	**-**	**(3.690)**	**(2,209)**	**(5,899)**	**13,272**
FRS 102 pension service cost	(6,559)	-	-	**(6,559)**	-	**(6,559)**	(4,162)
FRS 102 pension interest charge	(1,379)	-	-	**(1,379)**	-	**(1,379)**	(1,442)
(Deficit) / surplus for the year before exceptional items	**(11,486)**	**(142)**	-	(11,628)	**(2,209)**	**(13,837)**	**7,668**
Merger costs & restructuring	(168)	(132)	-	**(300)**	-	**(300)**	(10,735)
Conditional grant release	-	-	-	**-**	-	**-**	10,387
Profit / (loss) on disposal of assets	2,726	-	-	**2,726**	-	**2,726**	(329)
Share of operating loss in associates	-	-	-	**-**	-	**-**	(2,470)
Acquired balance sheet of new entities	-	-	-	**-**	-	**-**	(1,266)
Total (deficit) / surplus for the year	**(8,929)**	(274)	**-**	**(9,202)**	**(2,209)**	**(11,412)**	**3,255**

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 pursuit of optimum performance consistent with those risks.

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

Cash Flows and Liquidity

In total, activity within the year generated a cash inflow of £10.2m. Operating cash flow was a net cash in-flow of £11.5m (2020: out-flow of £5.5m). The size of the Group's total borrowing and its approach to interest rate has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year, this margin was comfortably exceeded.

Reserves

The Group has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £122.4m before pension liabilities (2020: £125.8m). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Financial Health

As noted above, the ESFA measure of Financial Health is 'Good'. Lending covenants have been met.

Student Numbers

The Group had 19,127 learners in the period (2020: 20,252).

Achievements

Achievement rate for the Group is 84.7% (2020: 84.4%) which compares with the latest weighted national average (from published 2018/19 data) of 84.8%.

Inspection

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

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

Ofsted conducted a monitoring visit in September 2021, which had a particular focus on Guildford College, Merrist Wood College and Farnham College. This was the first time that Ofsted has visited since merging with the former Guildford College Group in 2019.

The report recognises the 'significant progress' that has been made in leadership and governance, with Ofsted complimentary about the culture and values demonstrated at Activate Learning that emanate from our Learning Philosophy.

Ofsted has also recognised the considerable improvements made in teaching, learning, and assessment outcomes, and was very complimentary about the breadth and depth of developments undertaken by our teachers and managers.

Ofsted also conducted an inspection of student residential accommodation at Merrist Wood College in September 2021, grading the provision 'Outstanding'.

Curriculum Developments

Our curriculum strategy and planning principles provide clear direction to deliver the priorities laid out in strategic plans. The curriculum planning framework ensures the existing curriculum portfolio is regularly evaluated and developed further to responsively meet the needs of learners and stakeholders. The curriculum strategy reflects the current and future educational context and considers both local and national economic and skills requirements, responding to the growing demand for skills to support economic priorities, alongside government reforms to enhance technical education and work-based training, such as the successful planning and implementation of T Levels and an Institute of Technology.

Our approach is to design curriculum that can provide a widely understood, unified, equitable and consistent methodology across all faculty and all regions, whilst supporting regional skills needs and growth sectors. Extensive curriculum review, thorough analysis of performance trends and quality, combined with use of stakeholder feedback, provides the foundation for articulating strong curriculum intent.

The intent informs a consistent approach to the design and construction of programmes at different stages in each career pathway. The four main curriculum components consisting of traditional knowledge (Vocational, English, Mathematics, Digital and Work Experience), Wellness (Pastoral, Tutorial, Progress Reviews) Attributes Development and Global Literacy and Citizenship are combined to create differentiated programmes of study that provide the knowledge, skills and attributes learners need to progress between stages of their career pathway.

There is a firmly embedded process for reviewing and approving a flexible curriculum portfolio which includes all full time, part time and commercial programmes and ensures curriculum planning is responsive to emerging opportunities. Annual curriculum review, adjustment and evaluation is embedded into the cyclical quality process to enhance student learning, engagement, experience, and outcomes. Reviews analyse the changing nature of the faculty sectors, exploration of recruitment trends, identification of opportunities provided through new technologies and rationalisation of our offer to ensure currency and impact.

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

Our approach to curriculum design will not only lead to an improve student experience, but also longer-term value through efficiency and resource utilisation across sites. The harmonisation has enabled the efficient integration of our recently merged colleges.

Our Digital Strategy, focused on developing staff skills, infrastructure investment and embedding digital skills in every stage of the career pathway enabled colleagues and learners to respond immediately and effectively to the disruption caused by the COVID-19 pandemic. We continue to successfully maintain teaching and learning remotely when campuses are inaccessible.

Payment Performance

The Late Payment of Commercial Debts Interest Act 1998, which came into force on the 1st of November 1998, requires Corporations, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either their 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%. The group makes every endeavour to adhere to this target.

Future Developments

Following the merger related expansion during 2019, the Corporation continues to focus on consolidation, integration and delivering the scale driven efficiency upon which the business case for the mergers was based. Significant progress has been made, but the challenges of operating through the COVID-19 pandemic has left more to achieve.

Student number growth is targeted when recent downward demographic trends reverse.

After 18 years as Chief Executive Officer, Sally Dicketts will retire at the end of March 2022 and the Board have appointed Gary Headland, current CEO of the Lincoln College Group, as her successor. Gary's appointment will come into effect on the 1st of April 2022.

Gary joins from the Lincoln College Group, where he has served successfully for over seven years as chief executive, with responsibility for further education colleges in Lincoln, Gainsborough and Newark and a large education export capability.

The Lincoln College Group Board have asked the Board of Activate Learning to consider a merger with the Lincoln College Group. We are now undertaking a formal due diligence process to consider this proposal.

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 £28.9m of accumulated reserves (after a provision of £104.2m for pension liability).

People

On average, the group employed 1,878 staff through the year ended 31st July 2021, of whom 571 were 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 preventative 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 annual review, the Corporation will also consider any risk 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 and Risk Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

- Failure to achieve the growth or financial performance that underpins the Empowering Learning strategy
  This continues to be mitigated through a series of activities, including the 2019 merger processes and resulting synergies (growth), robust marketing plans informed by local market assessment and employer relationships (growth), specificstrategic plans for adults; HE; Apprenticeships (growth) and a clear financial strategy with robust targets (financial performance).

- The marketing function failing to meet the needs of the organisation and offer value for money
  Failure to respond effectively to the competitive nature of the marketplace could severely impact future income and reputation of the organisation. Mitigations including a new website, enhanced relationships with curriculum colleagues and a heightened focus on using appropriate attraction channels and techniques are in place.

- Implications of the COVID-19 pandemic on employee wellbeing
  Common with all employers, there is a risk of higher staff turnover as workers and employers revaluate what they want out of work, together with greater demand on employee wellbeing resources to support mental health issues resulting from the pandemic and greater demand for flexible working arrangements.

The implications of the COVID-19 pandemic on business continuity, learning, employee wellbeing and financial sustainability has been included on the Group risk register throughout the year. While many non-core income streams were impacted by lockdowns in 2020/21 and EBITDA reduced by around £4.5m as a result, learning was maintained effectively for the majority of learners. With disruption likely to continue into 2022, maintaining the quality of learning and minimising the financial impact will be the ongoing focus of mitigations.

16 – 18 year old student recruitment in Autumn 2021 has been broadly in line with expectations and all colleges are operating in line with government guidance. Retaining these learners through any further 'lockdowns' will be a priority focus. Whilst campuses are currently accessible, our potential adult learners regaining the confidence to come on site is not automatic and will continue to place some income generation at risk. Continuing to innovate delivery remains a priority to maximise revenue. The organisation is well placed to support the need for re-skilling

due to the expected increase in rates of unemployment resulting from the pandemic and is accessing funding to do so.

STAKEHOLDER RELATIONSHIPS

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

EQUALITY AND DIVERSITY

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

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

The safeguarding protocols for 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:

- As part of the redevelopment of buildings, the Group is installing lifts and ramps etc. so that eventually most of the facilities will allow access to people with a disability.
- There is a list of specialist equipment, lighting, audio facilities etc. which the Group can make available for use by students.
- 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.
- The Group has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and / or disabilities. There is 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.
- Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard group format.
- Counselling and welfare services are described in the Group charter.

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

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

TRADE UNION FACILITY TIME

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

The group had eight employees that this relates to in 2020/21 with the time being spent an approximate cost shown below:

Percentage of time	Number of employees
0%	0
1-50%	8
51-99%	0
100%	0
Total cost of facility time	£12,497
Total pay bill	£42,882,143
Percentage of total bill spent on facility time	0.03%

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 20th December 2021 and signed on its behalf by:

Sue Sturgeon

Sue Sturgeon, **Chair**

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the Annual Report and Financial Statements of the Group to obtain a better understanding of its governance and legal structure. This statement covers the period from the 1st August 2020 to the 31st July 2021 and up to the date of approval of the Annual Report and Financial Statements.

The Group endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in public life (selflessness, integrity, objectiveness, accountability, openness, honesty and leadership), and
- in full accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English colleges ('the Code').

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

In the opinion of the Governors the Group complies with the provisions of the Code, and it has complied throughout the year ended 31st July 2021. 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 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	Status of Appointment	Attendance at Corporation meetings	Committees Served
Sally Dicketts		Ex officio	CEO	100%	Search & Governance
Sue Sturgeon (Chair)	01.04.19 Reappointed: 01.02.21	4 years	External – Merger Partner	100%	Search & Governance; Remuneration
James Dipple	08.07.14 Reappointed: 18.06.18 Resigned: 09.03.21	4 years	External	100%	Search & Governance; Remuneration
Tracey James	17.07.13 Reappointed: 20.03.17 Resigned: 16.03.21	4 years	External	75%	Audit & Risk; Remuneration

Dermot Mathias	22.03.16 Reappointed: 20.04.20	4 years	External	100%	Search & Governance
Pauline Odulinski	08.07.14 Reappointed: 18.06.18	4 years	External	100%	Search & Governance
Nina Robinson	24.03.15 Reappointed: 24.03.19 Resigned: 22.12.20	4 years	External	50%	
Malcolm Wicks	12.07.16 Reappointed: 20.04.20	4 years	External	88%	Audit & Risk; Remuneration
Julia Von Klonowski	14.10.14 Reappointed: 16.10.17	4 years	External	100%	
Andrew Stone	01.04.19 Reappointed: 01.02.21	4 years	External - Merger Partner	75%	Audit & Risk
John Cope	09.12.19	4 years	External	88%	
David Goosey	09.12.19	4 years	External	75%	Remuneration
Emma Shipp	09.12.19	4 years	External	88%	Audit & Risk
Kathy Slack	07.12.20	4 years	External	83%	Search & Governance
Jamie Edge	07.12.20	4 years	External	67%	Audit & Risk
Megan Henderson	07.12.20 Resigned: 20.07.21	1 year	Internal - Student	67%	Search & Governance
Ben Sims	11.12.17 Reappointed: 09.12.19	2 years	Internal - Staff	88%	Search & Governance

Perry Perrott serves as Clerk to the Corporation.

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

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

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

Activate Learning
Oxpens Road,
Oxford, OX1 1SA

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 Chair of the Corporation and Chief Executive Officer of the Group are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for 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 2021 and graded itself as ‘Good’ overall.

Remuneration Committee

Throughout the year ending 31st July 2021, the Group's ‘Remuneration Committee’ had five members. The Committee’s responsibilities are to make recommendations to the Board on the remuneration and benefits of the Group Chief Executive and other senior post-holders.

Details of remuneration for the year ended 31st July 2021 are set out in Note 8 of the Financial Statements.

Audit and Risk Committee

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

The ‘Audit and Risk Committee’ meets three or more times in each year and provides a forum for reporting by the Group's internal and financial statement auditors, who have access to the committee for independent discussion, without the presence of Group management. The Committee may also occasionally receive and consider reports from the ESFA, as they affect the Group’s business.

The Group's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan and report their findings to management and the 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 Statement 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 Officer, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Groups policies aims and objectives whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the Group and ESFA. The Group Chief Executive Officer is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The Purpose of the System of Internal Control

The system of internal control 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 risk 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 2021 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 an 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 the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the Group is exposed, and annual internal audit plans are based on this analysis.

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

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

Review of Effectiveness

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

- The work of the internal auditors.
- The work of the executive managers within the group who have responsibility for the development and maintenance of the internal control framework, and
- Comments made by the Group's financial statement 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 continued 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 Divisions 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 2021 meeting, the Corporation carried out the annual assessment for the year ended 31st July 2021 by considering documentation from the Group Executive Team and internal audit, and taking account of events since the 31st July 2021.

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

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the Group is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of 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 the 31st July 2021 and up to the date of approval of the Annual Report and Financial Statements. This process is regularly reviewed by the Corporation.

Impact of BREXIT

The Board has considered the ongoing impact of BREXIT and Board are of the opinion that even though uncertainty remains, no significant impact is expected.

Going Concern

After making appropriate enquiries and approving cash flow forecasts, the Corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future.

While disruption to operations is inevitable during the remainder of 2021 and into 2022 from the ongoing effect of the COVID-19 pandemic, the organisation benefits from a strong balance sheet, low gearing and a resilient cash balance. Sufficient discretion remains available to manage investment and operational cost cash flows to help mitigate the impact of income shortfalls on short term liquidity.

Despite the challenging environment, the risk of additional periods of lockdown and the associated risk to revenue generation, the Corporation consider that financial resources are currently sufficient to ensure sustainability. The reasons for this confidence include:

- In 2020/21 EBITDA (and therefore cash balances) was reduced by around £4.5m due to COVID-19. Similar sensitivity modelling was applied to the budget for 2021/22 and demonstrated that an in year operational cash surplus could still be delivered.
- The cash balance at 31st July 2021 is at the higher end of sector benchmarks.
- Core funding is likely to remain payable through any further period of lockdown to enable ongoing learning for students. This represents a significant proportion of income, which safeguards a significant proportion of core cost commitments.
- The two-year cash flow forecast projects significant ongoing growth, giving material margin for error.
- Capital Expenditure commitments are significant, but mostly discretionary. Expenditure can be delayed or stopped if cash balances are diluted.
- The group Balance Sheet has minimal debt, with assets available to provide as security should bank financing support be required. Current plans do not require borrowing, but if financial performance were to deteriorate, it would be accessible.
- Whilst commercial income is proving challenging to generate in the COVID-19 impacted environment, the organisation is well placed to support the need for re-skilling due to the

expected increase in rates of unemployment resulting from the pandemic and is already accessing funding to do so.

- For the 2021/22 academic year, college campuses are currently open and face to face learning is being maintained, in line with government guidance.
- There are no additional material liabilities for the organisation arising from the current environment that are not already reflected in budgets and the Financial Statements.

For these reasons, the Corporation continues to adopt the going concern basis in preparing the Financial Statements.

Approved by order of the members of the Corporation on 20th December 2021 and signed on its behalf by:

Sally Dicketts, **Group Chief Executive**	Sue Sturgeon, **Chair**

GOVERNING BODY'S STATEMENT ON THE GROUPS 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 Corporation and the Education and Skills Funding Agency. As part of its consideration, the Corporation has had due regard to the requirements of the financial memorandum.

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

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

Sue Sturgeon

Sally Dicketts, **Group Chief Executive**

Sue Sturgeon, **Chair**

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The Members of the Corporation 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, 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 2020 to 2021 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 judgements 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 to 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 20th December 2021 and signed on its behalf by:

Sue Sturgeon

Sue Sturgeon, **Chair**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CORPORATION OF ACTIVATE LEARNING

OPINION

We have audited the financial statements of Activate Learning (the 'College') and its subsidiaries (the 'group') for the year ended 31st July 2021 which comprise the Consolidated and College Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, the Statements of Financial Position, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- Give a true and fair view of the state of the Group's and College's affairs as at 31 July 2021 and of the Group's and College's surplus of expenditure over income 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 Group and 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

In auditing the financial statements, we have concluded that the Members of the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Members of the Corporation with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Corporation is responsible for the other information contained within the annual report. 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 course of 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 returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 23, the Corporation is 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 is responsible for assessing the Group's and 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 either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the College and its industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the ESFA funding agreements, the OFS regulatory framework, the OFSTED regulatory framework, safeguarding, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements.

We evaluated the Members of the Corporation and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Members of the Corporation and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group and the College which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Members of the Corporation and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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.

Other required reporting

Opinion on other matters prescribed in the OfS Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds provided by the OfS and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions attached to them; and
- the requirements of OfS's accounts direction have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the OfS Audit Code of Practice requires us to report to you if, in our opinion:

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated; or
- the provider's expenditure on access and participation activities, as disclosed in the accounts has been materially misstated.

Use of the audit report

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 Group and College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
90 Victoria Street
Bristol BS1 6DP
Date: 22 December 2022

INDEPENDENT REGULARITY REPORT TO THE CORPORATION OF ACTIVATE LEARNING ("THE CORPORATION") AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH EDUCATION AND SKILLS FUNDING AGENCY ("ESFA")

In accordance with the terms of our engagement letter dated 5th October 2021 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Activate Learning during the period 1st August 2020 to 31st July 2021 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 ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the corporation of Activate Learning and the ESFA 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 ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept, or assume, responsibility to anyone other than the corporation of Activate Learning and the ESFA 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 1st August 2020 to 31st July 2021 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 ESFA. 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 ESFA/ funding agreement with the ESFA.
- 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.
- 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 1st August 2020 to 31st July 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Mazars LLP

Signed:
Mazars LLP
Date: 22 December 2021

Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July				Year ended 31 July			
		2021 Continuing Operations £'000	2021 Discontinued Operations £'000	2021 Total Group £'000	2021 College £'000	2020 Continuing Operations £'000	2020 Discontinued Operations £'000	2020 Total Group £'000	2020 College £'000
INCOME									
Funding body grants	3	72,624	-	72,624	66,820	79,070	-	78,670	72,286
Tuition fees and education contracts	4	7,182	-	7,182	8,926	8,031	-	8,031	9,947
Other grants and contracts	5	-	-	-	-	-	-	400	400
Other income	6	4,080	359	4,439	4,573	6,523	32,216	38,739	14,647
Investment income	7	-	-	-	36	-	-	-	36
Total income		**83,886**	**359**	**84,245**	**80,355**	**93,624**	**32,216**	**125,840**	**97,317**
EXPENDITURE									
Staff costs	8	65,551	1,417	66,968	62,776	61,009	12,764	73,773	57,771
Fundamental restructuring costs	9	299	-	299	167	702	-	702	702
Other operating expenses	10	20,865	1,559	22,425	19,572	22,897	9,842	32,739	29,454
Depreciation	13	7,212	-	7,212	7,212	7,185	380	7,565	7,185
Interest and other finance costs	11	1,887	7	1,894	1,887	1,607	-	1,607	1,606
Total expenditure		**95,814**	**2,983**	**98,798**	**91,615**	**93,400**	**22,986**	**116,386**	**96,718**
(Deficit) / surplus before other gains and losses		**(11,928)**	**(2,624)**	**(14,553)**	**(11,259)**	**224**	**9,231**	**9,455**	**599**
Gain / (loss) on disposal of assets		2,726	-	2,726	2,726	(329)	-	(329)	(329)
Share of operating loss in associates	14	-	-	-	-	-	(2,470)	(2,470)	-
Acquired subsidiary assets	27	-	-	-	-	-	(1,266)	(1,266)	-
Gift of acquired colleges assets & liabilities		-	-	-	-	-	-	-	-
(Deficit) / surplus before tax		**(9,202)**	**(2,624)**	**(11,827)**	**(8,534)**	**(105)**	**5,495**	**5,390**	**270**
Taxation	12	-	(415)	(415)	-	-	2,136	2,136	-
(Deficit) / surplus for the year		**(9,202)**	**(2,209)**	**(11,412)**	**(8,534)**	**(105)**	**3,359**	**3,253**	**270**
Actuarial loss in respect of pension schemes	23	183	-	183	183	(23,981)	-	(23,981)	(23,981)
Investment property revaluation		-	-	-	-	-	-	-	-
Total comprehensive income for the year		**(9,019)**	**(2,209)**	**(11,229)**	**(8,351)**	**(24,086)**	**3,359**	**(20,727)**	**(23,711)**

The funding contract to operate colleges for female students in Saudi Arabia by The Oxford Partnership ended in August 2020 and a further contract is not available. As a result, operations have been withdrawn from college premises and discussions are ongoing to finalise liabilities (as reflected in Notes 12 and 26) and trading has stopped. As a result, the Consolidated Statement of Comprehensive Income presents the financial result of The Oxford Partnership as a non-continuing operation.

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure Account £'000	Revaluation Reserve £'000	Total £'000
Group			
Balance at 31st July 2019	**48,864**	**11,965**	**60,829**
Surplus from the income and expenditure account	3,253	-	3,253
Other comprehensive income	(23,981)	-	(23,981)
Transfers between revaluation & income and expenditure reserves	170	(170)	-
Total comprehensive income for the 2019/20 Year	**(20,558)**	**(170)**	**(20,728)**
Balance at 31st July 2020	**28,306**	**11,795**	**40,101**
Deficit from the income and expenditure account	(11,412)	-	(11,412)
Other comprehensive income	183	-	183
Transfers between revaluation & income and expenditure reserves	170	(170)	-
Total comprehensive income for the 2020/21 Year	**(11,059)**	**(170)**	**(11,229)**
Balance at 31st July 2021	**17,247**	**11,625**	**28,872**
College			
Balance at 31st July 2019	**46,507**	**11,965**	**58,472**
Surplus from the income and expenditure account	270	-	270
Other comprehensive income	(23,981)	-	(23,981)
Transfers between revaluation & income and expenditure reserves	170	(170)	-
Total comprehensive income for the 2019/20 Year	**(23,541)**	**(170)**	**(23,711)**
Balance at 31st July 2020	**22,966**	**11,795**	**34,761**
Deficit from the income and expenditure account	(8,534)	-	(8,534)
Other comprehensive income	183	-	183
Transfers between revaluation & income and expenditure reserves	170	(170)	-
Total comprehensive income for the 2020/21 Year	**(8,181)**	**(170)**	**(8,351)**
Balance at 31st July 2021	**14,785**	**11,625**	**26,410**

Statements of Financial Position as at 31 July 2021

	Notes	Group	College	Group	College
		2021	**2021**	**2020**	**2020**
		£'000	**£'000**	**£'000**	**£'000**
Fixed assets					
Tangible fixed assets	13	157,223	157,223	154,550	154,520
Investments	14	3,495	3,495	3,495	3,495
		160,718	**160,718**	**158,045**	**158,015**
Current assets					
Stocks	15	67	35	64	34
Trade and other receivables	16	3,537	3,336	19,072	9,991
Cash and cash equivalents	21	25,412	18,823	15,192	10,406
		29,016	**22,194**	**34,327**	**20,431**
Less: Creditors – amounts falling due within one year	17	(13,631)	(9,272)	(16,144)	(7,557)
Net current assets		**15,385**	**12,923**	**18,184**	**12,874**
Total assets less current liabilities		**176,103**	**173,641**	**176,229**	**170,889**
Less: Creditors – amounts falling due after one year	18	(42,123)	(42,123)	(38,621)	(38,621)
Net assets before provisions		**133,980**	**131,518**	**137,608**	**132,268**
Provisions					
Other provisions	20	(944)	(944)	(1,088)	(1,088)
Defined benefit obligations	23	(104,164)	(104,164)	(96,419)	(96,419)
Total net assets		**28,872**	**26,410**	**40,101**	**34,761**
Unrestricted reserves					
Income and expenditure account		17,247	14,785	28,306	22,966
Revaluation reserve		11,625	11,625	11,795	11,795
Total unrestricted reserves		**28,872**	**26,410**	**40,101**	**34,761**

The financial statements on pages 31 to 65 were approved and authorised for issue by the Corporation on 6th December 2021 and were signed on its behalf on that date by:

Sally Dicketts, **Group Chief Executive**

Sue Sturgeon, **Chair**

Consolidated Statement of Cash Flows

	Notes	2021 £'000	2020 £'000
Cash inflow from operating activities			
(Deficit) / surplus for the year		**(11,412)**	**3,253**
Adjustment for non cash items			
Depreciation	13	7,212	7,565
Gift of acquired assets & liabilities		-	1,266
Share of operating loss of associate	14	-	2,470
Deferred capital grants released to income	3 & 5	(2,215)	(2,163)
Conditional grant released to income	3	-	(10,387)
FRS 102 (28) pension charge	11 & 23	7,601	5,604
Decrease in stock	15	3	23
Decrease / (increase) in debtors	16	15,418	(7,239)
Decrease in creditors	17,18	(2,513)	(6,403)
Increase in provisions	20	-	75
		25,506	(9,189)
Adjustment for investing or financing activities			
Interest receivable	7	-	-
Interest payable	11	108	97
(Profit) / loss on sale of fixed assets		(2,726)	329
Net cash Inflow / (outflow) from operating activities		**11,476**	**(5,510)**
Cash flows from investing activities			
Sale of assets		3,100	1,890
Cash acquired from new subsidiary		-	6,168
Interest received		-	-
Purchase of tangible fixed assets	13	(9,919)	(3,740)
Deferred capital grants received		5,717	543
Net cash (outflow) / inflow from investing activities		**(1,102)**	**4,861**
Cash flows from financing activities			
Repayment of finance leases		(46)	(62)
Interest paid	11	(108)	(97)
ESFA grant received		-	9,992
ESFA loan received	19	-	-
Repayment of bank loans		-	-
Net cash (outflow) / inflow from financing activities		**(154)**	**9,833**
Increase in cash and cash equivalents in the year		**10,220**	**9,184**
Cash and cash equivalents at beginning of the year	21	15,192	6,008
Cash and cash equivalents at end of the year	21	25,412	15,192

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

1 General Information

These Financial Statements comprising the Consolidated Statements of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Statement of Financial Position, Consolidated Statement of Cash Flows and the related notes (numbered 1 to 28) constitute the consolidated Financial Statements of Activate Learning for the financial year ended 31st July 2021.

Activate Learning is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all Further Education Corporations in England. The nature of the company's operations and its principal activities are set out in the Report of the Governing Body at page 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 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2020 to 2021 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The Corporation is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of Consolidation

The consolidated Financial Statements include the College and its subsidiaries, Activate Enterprise Limited, Activate Learning Investments Limited, The Oxford Partnership LLC, Merrist Wood Enterprises Limited (dormant), controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period

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

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 31st July 2021. The Oxford Partnership statutory year end is 31st December 2020. Non-statutory accounts were made up to 31st July 2021 and consolidated into the Group Accounts.

Going Concern

The activities of the Group, together with the factors likely to affect its future development and performance are set out in the Members Report, as is consideration of going concern. The financial position of the Group, its cash-flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes. After making appropriate enquiries, the Corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future.

While disruption to operations is inevitable during the remainder of 2021 and into 2022 from the ongoing effect of the COVID-19 pandemic, the organisation benefits from a strong balance sheet, low gearing and a resilient cash balance. Sufficient discretion remains available to manage investment and operational cost cash flows to help mitigate the impact of any income shortfalls on short term liquidity. The Group currently has a £4.7m loan outstanding with the Department of Education. The repayment of this loan is not due to begin until July 2027.

Assets are available to provide as security should bank financing support be required, although the Group's forecasts and financial projections indicate that it will operate without the need for any short term financing requirements. Forecasts take into account the significant impact that the COVID-19 pandemic has had on cash balances and accounting surplus for the year ended 31st July 2021 and uncertainty over the ongoing impact into future years. Forward projections have been scenario tested and demonstrate resilience. Cash balances remain at the higher end of sector benchmarks and forward forecasts illustrate that position being maintained.

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

Recognition of Income

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

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

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

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

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

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

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

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

Other income is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Accounting for Post-Employment Benefits

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

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

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

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

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

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

Short Term Employment Benefits

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

Enhanced Pensions

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

Non-Current Assets - Tangible Fixed Assets

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

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

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

- 50 years
- Refurbishments – useful economic life

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

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

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

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

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

Assets under construction
Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31st July 2021. They are not depreciated until they are brought into use.

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

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

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

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

Borrowing Costs

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

Leased Assets

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

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

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

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

to the capital element outstanding.

Investment Properties

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

Investments

Investments in subsidiaries
Investments in subsidiaries are accounted for at cost less impairment in the individual Financial Statements.

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

Inventories

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

Cash and Cash Equivalents

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

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

Financial Liabilities and Equity

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

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

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

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 subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation. The Oxford Partnership is also subject to Withholding Tax (WHT) for payments made internationally.

Provisions and Contingent Liabilities

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

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

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

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the Financial Statements.

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

Agency Arrangements

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

In preparing these Financial Statements, management have made the following judgements:

- Determination as to 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;
- The Activate Learning Group umbrella includes a multi academy trust, the Group has judged that it does not have control of the trust so as to obtain benefits from their activities. Therefore the Group does not consolidate them into its Financial Statements.

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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021.

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.

Notes to the Accounts (continued)

2. Accounting policies (continued)

- Provision for Bad Debt

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

Notes to the Accounts (continued)

3 Funding body grants

	Year ended 31 July				Year ended 31 July			
	2021 Continuing Operations	2021 Discontinued Operations	2021 Total Group	2021 College	2020 Continuing Operations	2020 Discontinued Operations	2020 Total Group	2020 College
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Recurrent grants								
Education and Skills Funding Agency - adult	5,976	-	5,976	5,976	6,742	-	6,742	6,740
Education and Skills Funding Agency – 16 -18	47,137	-	47,137	47,137	43,638	-	43,638	43,638
Education and Skills Funding Agency - apprenticeships	5,741	-	5,741	-	6,220	-	6,220	0
Higher Education Funding Council / OFS	1,288	-		1,288	1,201	-	1,201	1,201
Specific grants	0	-	1,288		0	-	0	0
Releases of government capital grants	2,215	-	2,215	2,215	1,763	-	1,763	1,763
Transaction Unit grant funding	0	-	0	0	10,387	-	10,387	10,387
Other Grants	10,267	-	10,267	10,204	8,719	-	8,719	8,557
Total	**72,624**	**-**	**72,624**	**66,820**	**78,670**	**-**	**78,670**	**72,286**

4 Tuition fees and education contracts

	Year ended 31 July				Year ended 31 July			
	2021 Continuing Operations	2021 Discontinued Operations	2021 Total Group	2021 College	2020 Continuing Operations	2020 Discontinued Operations	2020 Total Group	2020 College
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult education fees	4,546	-	4,546	4,396	4,790	-	4,790	4,643
Apprenticeship fees and contracts	110	-	110	0	176	-	176	10
Fees for FE loan supported courses	2,105	-	2,105	2,090	1,607	-	1,607	1,591
International students fees	34	-	34	34	1,042	-	1,042	1,042
Total tuition fees	**6,795**	-	**6,795**	**6,520**	**7,615**	-	**7,615**	**7,286**
Education contracts	387	-	387	2,406	416	-	416	2,661
Total	**7,182**	**-**	**7,182**	**8,926**	**8,031**	**-**	**8,031**	**9,947**

5 Other grants and contracts

	Year ended 31 July				Year ended 31 July			
	2021 Continuing Operations	2021 Discontinued Operations	2021 Total Group	2021 College	2020 Continuing Operations	2020 Discontinued Operations	2020 Total Group	2020 College
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Release of Other Government Capital Grants	-	-	-	-	-	-	400	400
Total	**-**	**-**	**-**	**-**	**-**	**-**	**400**	**400**

Notes to the Accounts (continued)

6 Other income

	Year ended 31 July				Year ended 31 July			
	2021 Continuing Operations	2021 Discontinued Operations	2021 Total Group	2021 College	2020 Continuing Operations	2020 Discontinued Operations	2020 Total Group	2020 College
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Catering and residences	1,857	-	1,857	1,892	2,547	-	2,547	2,547
Other income generating activities	1,731	-	1,731	2,189	3,813	3	3,816	11,938
The Oxford Partnership	0	359	359	0	-	32,213	32,213	-
Miscellaneous income	492	-	492	492	163	-	163	163
Total	**4,080**	**359**	**4,439**	**4,573**	**6,523**	**32,216**	**38,739**	**14,647**

7 Investment income

	Year ended 31 July				Year ended 31 July			
	2021 Continuing Operations	2021 Discontinued Operations	2021 Total Group	2021 College	2020 Continuing Operations	2020 Discontinued Operations	2020 Total Group	2020 College
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Group interest receivable	-	-	-	36	-	-	-	36
Other interest receivable	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**36**	**-**	**-**	**-**	**36**

Notes to the Accounts (continued)

8 Staff costs - Group

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

	2021 No.	2020 No.
Teaching staff	430	417
Non teaching staff	1,045	945
	1,475	**1,362**

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

	2021 No.	2020 No.
Teaching staff	571	593
Non teaching staff	1,307	1,201
	1,878	**1,794**

Staff costs for the above

	2021 Continuing Operations £'000	2021 Discontinued Operations £'000	2021 Total Group £'000	2021 College £'000	2020 Continuing Operations £'000	2020 Discontinued Operations £'000	2020 Total Group £'000	2020 College £'000
Wages and salaries	45,232	1,417	46,649	42,882	43,019	12,764	55,783	45,260
Social security costs	3,993	-	3,993	3,767	3,832	-	3,832	3,646
Other pension costs (includes FRS102 (28) adjustments of £6,559,000; 2020: £4,162,000)	15,631	-	15,631	15,461	12,382	-	12,382	7,235
Payroll sub total	**64,856**	**1,417**	**66,273**	**62,110**	**59,233**	**12,764**	**71,997**	**56,141**
Contracted out staffing	695	-	695	666	1,776	-	1,776	1,631
Staff costs	**65,551**	**1,417**	**66,968**	**62,776**	**61,009**	**12,764**	**73,773**	**57,772**

Notes to the Accounts (continued)

8 Staff costs - Group (continued)

Key management

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, Deputy 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

	2021 No.	2020
The number of key management personnel including the Group Chief Executive:	9	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:

	2021 Key Management Personnel	2021 Other Staff	2020 Key Management Personnel	2020 Other Staff
£60,001 to £65,000		20		6
£65,001 to £70,000		3		4
£70,001 to £75,000		5		4
£75,001 to £80,000		3		3
£80,001 to £85,000		1		2
£85,001 to £90,000	1			
£90,001 to £95,000	1			1
£95,001 to £100,000		1		1
£105,001 to £110,000				
£110,001 to £115,000				
£115,001 to £120,000			2	1
£120,001 to £125,000	1		3	
£125,001 to £130,000	2			
£130,001 to £135,000			1	
£135,001 to £140,000				
£140,001 to £145,000	1		1	
£145,001 to £150,000	1			
£165,001 to £170,000			1	
£170,001 to £175,000				
£180,001 to £185,000	1		1	1
£190,001 to £195,000		1		
£200,001 to £205,000			1	
£225,001 to £230,000	1			
	9	**34**	**10**	**23**

Other Staff includes The Oxford Partnership personnel, with emoluments translated at an exchange rate of £1: SAR 5. Exchange rate fluctuations since salaries were set will impact comparability.

Notes to the Accounts (continued)

8 Staff costs - Group (continued)

Key management personnel emoluments are made up as follows:

	2021 £'000	2020 £'000
Salaries	1,125	1,004
Performance related bonuses	116	75
Benefits in kind	36	24
	1,277	**1,103**
Pension contributions	163	152
Total emoluments	**1,440**	**1,255**

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

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

	2021 £'000	2020 £'000
Salaries	185	165
Performance related bonuses	26	23
Benefits in kind	17	16
	228	204
Pension contributions	18	18

In September 2020, the Remuneration Committee commissioned an external benchmarking exercise of the CEO salary package. This compared the reward package against all FE Corporations, those of similar size and complexity and those geographically close. Comparison was also made against relevant 'not for profit' organisations and education charities. The Remuneration Committee also considered the achievement of the CEO's agreed objectives. The benchmarking exercise confirmed that the CEO reward was generally lower than comparable organisations, enabling it to be in line with the 'mid to upper quartile range' target set by the Remuneration Committee for all Group Executive roles in December 2019.

The Group Chief Executive's basic salary divided by the median pay of all other Corporation employees & Chief Executive's total emoluments divided by the median pay of all other Corporation Employees was 6.1 and 7.5 respectively. This only includes employees of Activate Learning and excludes contractors & agency staff.

9 Fundamental restructuring costs

	2021 £'000	2020 £'000
Exceptional staff restructuring (contractual)	299	702
	299	**702**

£12,681 was paid in respect of one individual whose annual salary was £60,000 or above. There were no additional non-cash benefits provided.

Notes to the Accounts (continued)

10 Other operating expenses

	Year ended 31 July				Year ended 31 July			
	2021 Continuing £'000	2021 Discontinued £'000	2021 Total Group £'000	2021 College £'000	2020 Continuing £'000	2020 Discontinued £'000	2020 Total Group £'000	2020 College £'000
Teaching costs	5,673	(5)	5,669	5,397	8,940	24	8,964	7,493
Non teaching costs	10,130	1,042	11,172	9,638	5,994	8,766	14,759	14,109
Premises costs	5,107	522	5,629	5,091	7,612	1,052	8,664	7,612
Impairment of financial assets	(160)	-	(160)	(554)	244	-	244	240
The amount of stock recognised as an expense	115	-	115	-	108	-	108	-
Total	**20,865**	**1,559**	**22,425**	**19,572**	**22,897**	**9,842**	**32,739**	**29,454**

Other operating expenses include:	**2021 £'000**	**2020 £'000**
Auditors' remuneration:		
Financial statements audit	60	60
Internal audit	56	57
Other services provided by the financial statements	-	3

Access & Participation Spending

The accounts include the following spend on Access & Participation for HE students:

	2021 £'000	**2020 £'000**
Access Investment	28	27
Financial Support to Students	50	48
Research & Evaluation	33	32
Total	**111**	**107**

11 Interest payable

	Year ended 31 July				Year ended 31 July			
	2021 Continuing Operations £'000	2021 Discontinued Operations £'000	2021 Total Group £'000 £'000	2021 College £'000	2020 Continuing Operations £'000	2020 Discontinued Operations £'000	2020 Total Group £'000	2020 College £'000
On bank loans, overdrafts and other loans:	108	-	108	108	97	-	97	97
			108	108			97	97
Bank charges	400	7	407	400	68	-	68	68
Net interest on defined pension liability (note 23)	1,379	-	1,379	1,379	1,442		1,442	1,442
Total	**1,887**	**7**	**1,894**	**1,887**	**1,607**	**-**	**1,607**	**1,607**

12 Group taxation

	2021 £'000	**2020 £'000**
Total	**(415)**	**2,136**

The College was not liable for any corporation tax arising out of its activities during either period. The Group taxation relates to Withholding Tax and Corporation Tax costs of The Oxford Partnership operating in Saudi Arabia. Any dividends received from The Oxford Partnership are subject to Withholding Tax, in line with Saudi Arabian legislation. Note 26 includes reference to additional potential contingent liabilities.

Notes to the Accounts (continued)

13 Tangible fixed assets (Group)

	Land and buildings Freehold £'000	Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation				
At 1 August 2020	157,488	37,257	421	195,166
Reclassification	-	-	-	-
Additions	895	5,414	3,632	9,941
Disposals	(75)	-	(31)	(106)
At 31 July 2021	**158,308**	**42,671**	**4,022**	**205,001**
Depreciation				
At 1 August 2020	18,755	21,861	-	40,616
Reclassification	10	(31)	-	(21)
Charge for the year	4,076	3,136	-	7,212
Disposals	(29)	-	-	(29)
At 31 July 2021	**22,812**	**24,966**	**-**	**47,778**
Net book value at 31 July 2021	**135,496**	**17,705**	**4,022**	**157,223**
Net book value at 31 July 2020	138,733	15,396	421	154,550

Notes to the Accounts (continued)

13 Tangible fixed assets (College only)

	Land and buildings Freehold £'000	Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation				
At 1 August 2020	157,488	33,701	390	191,579
Reclassification	-	-	-	-
Additions	895	5,414	3,632	9,941
Disposals	(75)	-	-	(75)
At 31 July 2021	**158,308**	**39,115**	**4,022**	**201,445**
Depreciation				
At 1 August 2020	18,755	18,305	-	37,060
Reclassification	10	(31)	-	(21)
Charge for the year	4,076	3,136	-	7,212
Disposals	(29)	-	-	(29)
At 31 July 2021	**22,812**	**21,410**	**-**	**44,222**
Net book value at 31 July 2021	**135,496**	**17,705**	**4,022**	**157,223**
Net book value at 31 July 2020	138,733	15,396	390	154,520

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 £9,193,000 *(2020: £9,363,000)* have been financed from exchequer funds. Should these assets be sold, the Group may be liable, under the terms of the financial memorandum with the ESFA, to surrender the proceeds. The Group may also be liable under the terms of the Transaction Unit's support to surrender future proceeds from sales of Guildford College properties.

14 Non current investments

Group	**Investment properties**	**Investment in associate**	**Other fixed asset investments**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation brought forward	3,445	-	50	3,495
Additions	-	-	-	-
Share of associate's deficit for the year	-	-	-	-
Acquisition of remaining shareholding	-	-	-	-
Total	**3,445**	**-**	**50**	**3,495**

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

The Investment properties which have had valuations are The Innovation Centre in Banbury, the Jericho Building in Oxford and the Eagle Radio Building in Guildford. The Innovation centre valuation was based on an independent valuation of the property. The Jericho Building valuation was based on an independent view of market rental rates and yields. The Eagle Radio Building valuation is as assessed at the point of merger.

The Corporation owns 100 percent 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 100 percent of The Oxford Partnership LLC, a company incorporated in Saudi Arabia, on 14th September 2019. The initial cost of shares was £31,598. 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.

Notes to the Accounts (continued)

14 Non current investments (continued)

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

15 Stock

	Group	Group
	2021	**2020**
	£'000	**£'000**
Equine stocks	-	-
Oil	35	34
Insights units	32	30
Total	**67**	**64**

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 (2020: £nil).

College
The College had stocks of £35,048 at 31 July 2021 (2019: £33,669).

Notes to the Accounts (continued)

16 Debtors

	2021 Total Group £'000	2021 College £'000	2020 Total Group £'000	2020 College £'000
Amounts falling due within one year:				
Trade receivables	577	423	776	482
Amounts owed by group undertakings:				
Subsidiary undertakings	-	40	-	7,827
Associate undertakings	-	-	-	-
Prepayments and accrued income	2,765	2,678	18,036	1,457
Other debtors	195	195	260	225
Total	**3,537**	**3,336**	**19,072**	**9,991**

17 Creditors: amounts falling due within one year

	2021 Total Group £'000	2021 College £'000	2020 Total Group £'000	2020 College £'000
Other payments received in advance	-	-	134	34
Trade payables	1,640	1,330	964	919
Other taxation and social security	2,290	2,195	2,142	1,985
Corporation & Withholding Tax	3,743	-	6,756	-
Accruals and deferred income	1,205	1,019	3,934	2,405
Deferred income - government capital grants	2,529	2,529	2,168	2,168
Finance Leases	26	-	46	46
Amounts owed to the ESFA	2,198	2,198	-	-
Total	**13,631**	**9,272**	**16,145**	**7,557**

18 Creditors: amounts falling due after one year

	2021 Total Group £'000	2021 College £'000	2020 Total Group £'000	2020 College £'000
ESFA Loans	4,655	4,655	4,655	4,655
ESFA Conditional Grant	-	-	-	-
Finance Leases	-	-	-	-
Deferred income - government capital grants	37,468	37,468	33,966	33,966
Total	**42,123**	**42,123**	**38,621**	**38,621**

Notes to the Accounts (continued)

19 Maturity of debt

Loans & Overdraft

Loans and overdrafts are repayable as follows:

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
In five years or more	4,655	4,655	4,655	4,655
Total	**4,655**	**4,655**	**4,655**	**4,655**

The Terms of the £4.655m EFSA loan is an annual fixed Interest rate equal to the PWLB Standard Rate (currently 0.99%). Repayment installments starting in July 2027.

Notes to the Accounts (continued)

20 Provisions

	Hidden Pensions £'000	Enhanced pensions £'000	Total £'000
At 1 August 2020	282	806	1,088
Expenditure in the period	(100)	(66)	(165)
Charge to I&E	-	-	-
Actuarial Gain for the year	-	10	10
Interest Costs	-	10	10
At 31 July 2021	**182**	**762**	**944**

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

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

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

The principal assumptions for this calculation are:

	2021	2020
Price inflation	2.60%	2.20%
Interest rate	1.60%	1.30%

21 Cash and cash equivalents

	At 1 August 2020 £'000	Cash flows £'000	Other changes £'000	At 31 July 2021 £'000
Cash and cash equivalents	15,192	10,220	-	25,412
Total	**15,192**	**10,220**	**-**	**25,412**

At 31st July 2021, £6,488,053 relates to cash held by The Oxford Partnership in Saudi Arabia. This would not be available for use by the wider group without withholding tax implications.

22 Capital commitments

	Group and College 2021 £'000	2020 £'000
Commitments contracted for at 31 July 2021	786	1,323

Notes to the Accounts (continued)

23 Defined benefit obligations

The College's employees belong to four principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Oxford County Council, Royal County of Berkshire & Surrey Council Local Government pension schemes (LGPS) for non-teaching staff, which are each managed by their respective County councils. All of them are multi-employer defined-benefit plans. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2019.

Total pension cost for the year		**2021** **£'000**		**2020** **£'000**
Teachers Pension Scheme: contributions paid		3,858		3,696
Other pension schemes contributions paid		90		90
Local Government Pension Scheme:				
Contributions paid	5,056		4,434	
FRS 102 (28) charge	-		4,162	
Charge to the Statement of Comprehensive Income		5,056		8,596
Total Pension Cost for Year		**9,004**		**12,382**

Contributions amounting to £1,004,160 (2020:£925,555) were payable to the schemes and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

Accordingly, the college has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The college has set out above the information available on the plan and the implications for the college in terms of the anticipated contribution rates. The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The Teachers' Pension Budgeting and Valuation Account

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

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

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

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion).

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.
A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

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 £3,858,250 (2020: £3,696,365).

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds adminstered by Oxfordshire Local Authority, Royal County of Berkshire & Surrey Council. The total contribution made for the year ended 31 July 2021 was £6,482,808 of which employer's contributions totalled £5,056,462 and employees' contributions totalled £1,426,347. The agreed contribution rates for future years are in the range of 13.5%-28.4% for employers and range from 5.5% to 7.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary.

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	2.8% - 3.8%	2.1% - 3.25%
Future pensions increases	2.8% - 2.85%	2.1% - 2.25%
Discount rate for scheme liabilities	1.60%	1.40%
Inflation assumption (CPI)	2.8% - 2.85%	2.1% - 2.25%
Commutation of pensions to lump sums	44% - 50%	42% - 50%

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

	At 31 July 2021 years	At 31 July 2020 years
Retiring today		
Males	21.6 - 22.4	21.5 - 22.2
Females	24.2 - 24.7	24.1 - 24.3
Retiring in 20 years		
Males	23.0 - 23.4	22.90
Females	25.6 - 26.4	25.60

Sensitivity analysis	At 31 July 2021 £'000	At 31 July 2020 £'000
Average Real Discount rate reduction of 0.5%	2,985 - 15,235	2,005 - 12,721
Average Salary Increase rate increase of 0.5%	130 - 705	125 - 638
Average Pension Increase rate increase of 0.5%	2,820 - 14,325	2,690 - 11,885

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

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

	Long-term rate of return expected at 31 July 2021	Fair Value at 31 July 2021	Long-term rate of return expected at 31 July 2020	Fair Value at 31 July 2020
		£'000		£'000
Equities	68%	94,626	66%	73,953
Bonds	18%	25,387	17%	19,422
Property	9%	12,463	9%	10,458
Cash	2%	2,770	5%	5,976
Other	2%	3,231	2%	2,241
Total market value of assets	**100%**	**138,477**	**100%**	**112,050**

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

	2021 £'000	2020 £'000
Fair value of plan assets	138,477	112,050
Present value of plan liabilities	(242,562)	(208,384)
Present value of unfunded liabilities	(79)	(85)
Net pensions (liability)	**(104,164)**	**(96,419)**

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

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

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost	11,773	8,734
Past service cost	119	32
Total	**11,892**	**8,766**
Amounts included in investment costs		
Net interest costs	1,379	1,442
	1,379	**1,442**

Amounts recognised in Other Comprehensive Income

	2021	2020
Return on pension plan assets	22,149	(12,620)
Experience gains / (losses) arising on defined benefit obligations	3,328	6,863
Changes in assumptions underlying the present value of plan liabilities	(25,284)	(18,163)
Actuarial loss in respect of enhanced pension provision	(10)	(61)
Amount recognised in Other Comprehensive Income	**183**	**(23,981)**

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Movement in net defined benefit (liability) during the year

	2021 £'000	2020 £'000
Deficit in scheme at 1 August	(96,419)	(66,895)
Movement in year:		
Transfer in value of net liabilities	-	-
Current service cost	(11,773)	(8,734)
Administration expenses	(3)	(5)
Employer contributions	5,336	4,609
Past service cost	(119)	(32)
Net interest on the defined liability	(1,379)	(1,442)
Actuarial gain or loss	193	(23,920)
Net defined liability at 31 July	**(104,164)**	**(96,419)**

Asset and Liability Reconciliation

	2021 £'000	2020 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	208,469	187,071
Transfer in value of new liabilities at acquisition	-	-
Current service cost	11,773	8,734
Interest cost	2,960	3,991
Contributions by scheme participants	1,414	1,290
Experience loss on defined benefit obligation	(3,328)	(6,863)
Changes in financial assumptions	22,659	18,113
Estimated benefits paid	(4,043)	(3,942)
Past service cost	119	32
Changes in demographic assumptions	2,625	50
Unfunded pension payments	(7)	(7)
Defined benefit obligations at end of period	**242,641**	**208,469**

Reconciliation of Assets

	2021 £'000	2020 £'000
Fair value of plan assets at start of period	112,050	120,176
Transfer in value of new assets at acquisition	-	-
Interest on plan assets	1,581	2,549
Return on plan assets	22,149	(11,363)
Employer contributions	5,336	4,609
Contributions by scheme participants	1,414	1,290
Estimated benefits paid	(4,043)	(3,942)
Administration expenses	(10)	(12)
Other actuarial gains	-	(1,257)
Assets at end of period	**138,477**	**112,050**

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.

No expenses were paid to or on behalf of the Governors during the year, (2020: £1,379; 2 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. Consultancy Services of £876 were provided by 1 Governor during the year. No Governor received any compensation for their service as a Governor (with the exception of the reimbursement of expenses).

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

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 £628,397 was charged to ALET, representing charges for services for the year and £21,405 of recharged costs and therefore not impacting on the I&E. The balance outstanding on the account at 31 July 2020 was £58,893.

25 Amounts disbursed as agent

Learner support funds

	2021 £'000	2020 £'000
Balance unspent 1 August	98	188
Net grants from the ESFA	935	1,093
	1,033	1,281
Disbursed to students	(895)	(1,129)
Administration costs	(37)	(54)
Balance unspent as at 31 July, included in creditors	**101**	**98**

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

Notes to the Accounts (continued)

26 Contingent liabilities

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

The Group is currently appealing against income tax and withholding tax determinations from the Saudi Arabian tax authority in relation to certain tax treatments adopted by the group's subsidiary company, The Oxford Partnership LLC, for the financial years 2015 to 2018. Although the Group have received professional advice that the tax treatments used are appropriate and in accordance with relevant legislation, there is uncertainty over whether the appeals will be successful and, as a result, the Group holds a £3.9m liability within these Financial Statements which represents the full amount requested by the tax authority less amounts already paid. The amount is contained within the Corporation & Withholding Tax balance in note 17.

The subsidiary has not received any further determinations for the financial periods after 2018, however, the Group believes there is a contingent liability in respect of further tax liabilities relating to 2019 & 2020 which may arise if the previously submitted tax returns are challenged by the Saudi Arabian tax authority at a future date. The Group is unable to determine at the current time what the possible financial impact could be if the tax returns are challenged.

27 Discontinued Operations

The funding contract to operate colleges for female students in Saudi Arabia by The Oxford Partnership ended in August 2020 and a further contract is not available. As a result, operations have been withdrawn from college premises and discussions are ongoing to finalise liabilities (as reflected in Notes 12 and 26) and trading has stopped. As a result, the Consolidated Statement of Comprehensive Income presents the financial result of The Oxford Partnership as a non-continuing operation. The Oxford Partnership was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and OCI has been restated to show the discontinued operation separately from continuing operations.

Notes to the Accounts (continued)

28 Operating Leases

At 31st July 2021, the College had minimum lease payments under non-cancellable operating leases as follows

Future minimum lease payments due	**2021 £'000**	**2020 £'000**
Land & Buildings		
Not later than one year	25	30
Later than one year and not later than 5 years	-	-
Later than five years	-	-
	25	**30**
Other		
Not later than one year	171	188
Later than one year and not later than 5 years	121	249
Later than five years	-	-
	292	**437**