

# **Activate Learning**

## **Members' report and financial statements**

**For the year ended 31 July 2015**

## **Members' report and financial statements**

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## **Operating and Financial Review**

### **NATURE, OBJECTIVES AND STRATEGIES**

The members present their report and the audited financial statements for the year ended 31 July 2015.

#### **Legal Status**

Activate Learning is an exempt charity under Part 3 of the Charities Act 2011 and from 1<sup>st</sup> September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Corporation Body, who are trustees of the charity, are disclosed on pages 12 - 13.

The Corporation was established by the Secretary of State for Education and Skills on 1 April 2003 under the provisions of the Further and Higher Education Act 1992 for the purpose of conducting the business of Oxford and Cherwell College. On 1 August 2003, the property, rights and liabilities of Oxford College of Further Education, North Oxfordshire College and Rycotewood College were transferred to Oxford and Cherwell College, a Further Education Corporation incorporated for the purposes of running the activities of these three Colleges on a merged basis. At the date of merger, responsibility for the financial operations of the three former Colleges passed to the Members and management of Oxford and Cherwell College.

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

On 1<sup>st</sup> August 2012, the assets and business of Reading College Limited were transferred to the OCVC Corporation and Reading College Limited ceased trading. Reading College retained a separate identity and continued to be locally managed as a division of OCVC. An Advisory Board was created in 2011/12, which reported to the OCVC Corporation and represented the interests of the local community and employers.

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

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

In the current year the group acquired a 37% share in The Oxfordshire Partnership LLC, a joint venture operating in Saudi Arabia, via its subsidiary undertaking Activate Learning Investments Limited.

#### **Public Benefit**

In setting and reviewing the Corporation's strategic objectives, Members have had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the Corporation provides the following identifiable public benefits through the advancement of education; high-quality teaching and learning, widening participation and tackling social exclusion, routes into employment for students, strong student support systems, links with employers, industry and commerce.

## **Operating and Financial Review (continued)**

### **Mission**

To transform lives through learning. To ignite confidence and expand opportunities, energise the community, and generate prosperity.

### **Vision**

Far reaching progressive change and impact through learning

### **Values**

Empowerment; Enterprise; Connectedness; Transformation

### **Positioning**

A driving force for transformational learning.

### **Core Thought**

Further than Education.

### **Implementation of Strategic Plan**

The Group has six strategic aims / enablers which are actioned and monitored through a number of strategic priorities and key performance indicators:

- **Develop entrepreneurially-minded and employable people by creating excellent experiences.**  
We will champion change in student-centred applied vocational education and training by being at the forefront of innovation and enterprise, utilising leading technological developments in our aim to deliver excellence. Our students will be highly skilled, confident, professional and entrepreneurially-minded employees and citizens.
- **Earn a reputation for leading edge, innovative teaching, learning and assessment.**  
We will develop and implement curricula to support personalised learning. Our students will become work-ready and employable by Activate Learning responding to customer demands, using market intelligence and working in close liaison with relevant sector leads. This will be achieved by our learning and leadership philosophies.
- **Energise our communities and create productive strategic partnerships.**  
We will contribute to the economic success of our communities. We will develop, establish and maintain sustainable strategic partnerships, enabling employers, individuals, communities and other stakeholders to share in sustainable growth and future investment across all Corporations, schools and divisions.
- **Inspire collaboration to create high quality environments that provide employment and enterprise opportunities for our students.**  
We will deliver a sustainable and efficiently utilised estate. Our facilities will support the collaboration required within our innovative and entrepreneurial vocational education and training models including the running of learning companies.
- **Attract, develop and train a highly qualified, skilled, curious and independent workforce.**  
We will be an employer of choice, attracting and retaining the best. We will support personalised learning for all our staff so that they become the best in their field, contributing to our continued developments. Our Leadership Philosophy will support and enhance these developments.

## **Operating and Financial Review (continued)**

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

### **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

#### ***Activate Learning***

The Group comprises:

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

UTC Oxfordshire opened in September 2015. The Bicester School, an academy school which forms part of Activate Learning Education Trust, was sponsored by Activate Learning with effect from 1<sup>st</sup> August 2015. The Group is also lead sponsor for Bicester Technology Studio which is due to open in September 2016.

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

For the purposes of these Financial Statements UTC Reading, UTC Oxfordshire and Activate Learning Education Trust are treated as separate legal entities and the results are not, therefore, consolidated.

The Colleges and Divisions within the Group are managed by locally-based Principals and Executives who make decisions based on what their communities need, but the Group oversees the running of the Colleges and provides group shared services.

This structure has strengthened local focus while making best use of shared resources, facilitating growth.

The Group has greater access to funding and a stronger voice when it comes to working with regional, national agencies and other stakeholders.

## **Operating and Financial Review (continued)**

### ***Financial objectives***

The Corporation's financial objectives are:

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

### ***Performance indicators***

The Corporation regularly reviews performance and has set comprehensive key performance indicators, which include financial; quality and students; curriculum; marketing and brand reputation; human resources; and environment.

The Corporation is committed to observing the importance of sector measures and indicators and uses the FE Choices website which looks at measures such as success rates. The Corporation is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The current rating, at the time of approving this review, was Satisfactory which is considered acceptable at the current point in the Group's development.

### ***Financial results***

The income and expenditure account on page 23 consolidates the results of Activate Learning and Activate Enterprise Limited, as well as a 37% share of the results of The Oxfordshire Partnership. A summary of the Group's income and expenditure is analysed over the page.

Activate Learning Group reported a surplus (excluding FRS 17 adjustments and exceptional items) of £223k (2014: £904k deficit).

The Group has accumulated reserves of £13.1m and cash balances of £864k.

### ***Treasury policies and objectives***

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

All borrowing requires the authorisation of the Corporation and complies with the requirements of the Financial Memorandum with the Skills Funding Agency.

### ***Cash flows***

Operating cash flow was a net cash in-flow of £5,120k (for 2014 there was a net cash in-flow of £230k).

## Operating and Financial Review *(continued)*

### *Liquidity*

The size of the Group's total borrowing and its approach to interest rate have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow.

### Summary of results

£000	2014-15			2013-14
	<i>Activate Learning</i>	<i>The Oxford Partnership</i>	Group	Group
Total income	53,160	-	53,160	51,199
Total expenditure	(52,937)	-	(52,937)	(52,103)
Group's share of the operating result of The Oxford Partnership	-	(205)	(205)	-
<b>Surplus / (deficit) for the year before FRS17 adjustments and exceptional items</b>	<b>223</b>	<b>(205)</b>	<b>18</b>	<b>(904)</b>
FRS17 retirement benefits – pension finance cost	(319)	-	(319)	(193)
FRS17 retirement benefits – staff costs	(651)	-	(651)	(757)
<b>Deficit for the year before exceptional items</b>	<b>(747)</b>	<b>(205)</b>	<b>(952)</b>	<b>(1,854)</b>
Impairments	-	-	-	(342)
Exceptional items: staff restructuring	(1,708)	-	(1,708)	(164)
<b>Total deficit for the year</b>	<b>(2,455)</b>	<b>(205)</b>	<b>(2,660)</b>	<b>(2,360)</b>

### Student numbers

The Group had learners in the period of 18,623 (2014: 20,441).

### Achievements

Success rate for the Group is 81.5% (2014: 79.2%) which compared with the latest published national benchmark of 83.6%.

### Inspection

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

### Curriculum developments

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

## **Operating and Financial Review (continued)**

The introduction of enterprise and employability has been focussed through the development of learning companies – providing real experience of work and through the application of learning within the Corporation's own enterprise ventures such as Francesco's hair salons and Studio X1 digital media production companies.

Other curriculum initiatives include the development of our learning zones and learning coaches, to bring greater emphasis to independent facilitated learning.

Through the UTC developments, there has been much work with project based curriculum development with key industry partners. At UTC Reading employer-endorsed project-based learning has been developed with Microsoft, Cisco, Network Rail and Peter Brett Associates and this model is being extended in our second UTC and incorporated into Corporation-based delivery through our Career College concept.

### **Payment performance**

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

### **Post balance sheet events**

The group has entered into an agreement to sell land at its site in Banbury with a value of approximately £2m. The sale was contingent on planning permission being obtained which was approved in October 2015.

### **Future developments**

A major redevelopment of Blackbird Leys campus of the City of Oxford College is currently in progress. The project will see the creation of the Oxfordshire Technology and Innovation Centre. Phase 1 will be complete in March 2016 and it will be fully operational in September 2016.

The Group is lead sponsor of the Bicester Technical Studio in Bicester. Major works are underway at the site and the new campus is due to open in September 2016.

## **RESOURCES**

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

### *Financial*

The Corporation has £13.1 million of net assets (including a £25.8 million pension liability).

### *People*

The Group employs 1,073 people (expressed as full time equivalents), of whom 436 are teaching staff.

### *Reputation*

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



## **Operating and Financial Review (continued)**

### **PRINCIPAL RISKS AND UNCERTAINTIES:**

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

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

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

A risk register is maintained which is reviewed regularly by the relevant Corporation committees and by the Audit 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 improve student success rates;  
*This is mitigated through a developed group improvement plan which includes initiatives to ensure that the right students are on the right course, key performance indicators are identified, monitored and understood and strategies are in place to improve teaching and learning.*
- Failure to grow sufficiently to offset public sector funding cuts;  
*Research is undertaken into the local market and information collected to identify alternative funding streams and to grow our commercial income streams, particularly through developing strong relationships with employers.*
- Inability to recruit staff with appropriate skills and motivation;  
*This is mitigated through effective staff recruitment policies as well as monitoring of employment trends and the group's competitor offer.*
- The marketing strategy may not deliver enrolment targets.  
*Directors of Curriculum and Growth are appointed in colleges, along with improved 'live' planning processes and coordinated marketing plans.*

### **STAKEHOLDER RELATIONSHIPS**

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

## **Operating and Financial Review (continued)**

### **Equal Opportunities and the employment of disabled persons**

The Group considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. 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 publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The Group undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The Group is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The Group considers all employment applications 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, as far as possible, provide identical opportunities to those of non-disabled employees.

### **Disability statement**

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

- a) as part of the redevelopment of the buildings it is installing lifts and ramps, etc, so that eventually most of the facilities will allow access to people with a disability;
- b) there is a list of specialist equipment, lighting for audio facilities, etc, which the Group can make available for use by students;
- c) the admissions policy for all students is described in the Group charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- d) the Group has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- e) specialists programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard Group format;
- f) counselling and welfare services are described in the Group charter.

## **Operating and Financial Review** *(continued)*

### **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 8 December 2015 and signed on its behalf by:



Chairman

### **Professional advisers**

#### **Financial statement and regularity auditors:**

Mazars LLP,  
90 Victoria Street,  
Bristol, BS1 6DP

#### **Internal auditors:**

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

#### **Bankers:**

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

#### **Solicitors:**

Morgan Cole,  
Buxton Court,  
3 West Way,  
Oxford, OX2 0SZ

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the Group to obtain a better understanding of its governance and legal structure.

The Group endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
- ii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The Group is committed to exhibiting best practice in all aspects of corporate governance. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in December 2011. Whilst not complying fully with the UK Corporate Governance Code, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice. 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.

### *The Corporation*

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

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Attendance at Corporation meetings	Committees Served
Graham Blackburn (Corporation Chairman)	Re-appointed 29.03.11 Extended to 28.03.16	4 years		External	5/5	FE&GP, Strategic Learning, Remuneration, Search, CQS
Sally Dicketts	01.10.03	Ex officio		CEO	5/5	FE&GP, CQS, Search, People & Change, Strategic Learning
Marie Brankin	18.10.11	4 years		External	4/5	People & Change
Bernard Grenville-Jones	09.04.11	4 years		External	5/5	Audit and Risk, Search
Evelyn James	18.07.12	4 years		External	3/5	People & Change, Audit and Risk
Chris Jones	29.03.11	4 years		External	0/5	Audit and Risk, Remuneration
Sa'ad Medhat	Reappointed 19.10.13	4 years	06.05.15	External	2/3	
Tracey James	17.07.13	4 years		External	4/5	FE&GP, Search, Strategic Learning
Elizabeth Paris	Re-joined Corporation 16.10.12	4 years	19.07.15	External	4/5	

## Statement of Corporate Governance and Internal Control *(continued)*

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Attendance at Corporation meetings	Committees Served
Terry Watts	14.12.10	4 years	06.03.15	External	2/2	CQS, Remuneration
Deborah Wharton	Reappointed 29.03.11	4 years	Term ended 25.03.15	External	1/3	People & Change, Remuneration
Pauline Odufinski	08.07.14	4 years		External	4/5	CQS
Michael Jennings	08.07.14	4 years		External	4/5	People & Change, Audit and Risk
James Dipple	08.07.14	4 years		External	3/5	FE&GP
Julia Von Klonowski	14.10.14	4 years		External	5/5	
Nina Robinson	24.03.15	4 years		External	2/3	FE&GP
Paddy Austin	14.07.15	4 years		External	0/1	
Natasha Waller	16.10.12	2 years		Staff (Business Support)	4/5	Strategic Learning, CQS

Katy White served as Clerk to the Corporation during 2014/15.

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 College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets four 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 'Finance Estates & General Purposes', 'Remuneration', 'Search', 'Audit and Risk', 'People and Change' and 'Curriculum, Quality & Standards'. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at [www.activatelearning.ac.uk](http://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.

## **Statement of Corporate Governance and Internal Control (continued)**

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

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

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

### ***Appointments to the Corporation***

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

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

### ***Remuneration Committee***

Throughout the year ending 31 July 2015, the College's remuneration committee had six 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 31 July 2015 are set out in notes 5 and 6 of the financial statements.

### ***Audit Committee***

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

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

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

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

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

## **Statement of Corporate Governance and Internal Control (continued)**

### **Internal Control**

#### ***Scope of responsibility***

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

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

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Group for the year ended 31 July 2015 and up to the date of approval of the annual report and financial statements.

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

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

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

The Group has an internal audit service, which operates in accordance with requirements of the SFA and EFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the Group is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit and Risk Committee.

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

## **Statement of Corporate Governance and Internal Control (continued)**

### **Review of effectiveness**

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

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

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management 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 Senior Management 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 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2015.

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 31 July 2015 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

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

### **Capacity to handle risk**

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.



**Statement of Corporate Governance and Internal Control** *(continued)*

***Going Concern***

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

Approved by order of the members of the Corporation on 8 December 2015 and signed on its behalf by:

  
.....  
Chairman

  
.....  
Group Chief Executive

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

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the 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 to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

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

## **Statement of the responsibilities of the members of the Corporation**

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the Group, the Corporation, through its Group Chief Executive, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction for 2012-13 issued jointly by the Skills Funding Agency and the Education 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 Operating and Financial Review 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 EFA (formerly the YPLA) and the SFA are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the Group's resources and expenditure so that the benefits that should be derived from the application of public funds by the EFA and SFA are not put at risk.

Approved by order of the members of the Corporation on 8 December 2015 and signed on its behalf by:

  
Chairman

## Independent Auditors' Report to the Corporation of Activate Learning

We have audited the Group and College financial statements ("the financial statements") of Activate Learning for the year ended 31 July 2015 which comprise the Consolidated Income and Expenditure account, Consolidated Statement of Historical Cost Surpluses and Deficits, Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the College Balance Sheet, the Consolidated Cash Flow Statement, the Reconciliation of net cash flow to movements in net funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

### Respective Responsibilities of the Corporation of Activate Learning and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 19, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and College's affairs as at 31 July 2015 and of the Group's and College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

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

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

  
\_\_\_\_\_

Richard Bott (Senior Statutory Auditor)  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
90 Victoria Street  
Bristol  
BS1 6DP

  
\_\_\_\_\_

**To: The corporation of Activate Learning and Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency**

In accordance with the terms of our engagement letter dated 7 October 2015 and further to the requirements of the financial memorandum with Skills Funding Agency, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Activate Learning during the period 1 August 2014 to 31 July 2015 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Activate Learning and the Skills Funding Agency 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 Skills Funding Agency 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 Skills Funding Agency 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 Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.

- Read the financial memorandum with the SFA
- 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 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed:

  
Mazars LLP

Date: 21/11/17

90 Victoria Street  
Bristol  
BS1 6DP

**Consolidated income and expenditure account**  
*for the year ended 31 July 2015*

		2015	2014
	<i>Note</i>	£'000	£'000
<b>Income</b>			
Funding Council income	2	40,973	38,065
Tuition fees and education contracts	3	6,760	7,749
Other income		5,421	5,363
Investment income	4	6	22
<b>Total income</b>		<u>53,160</u>	<u>51,199</u>
<b>Expenditure</b>			
Staff costs	5	33,423	34,804
Other operating expenses	7	15,532	14,758
Depreciation	11	3,975	2,902
Interest and other finance costs	8	977	589
<b>Total expenditure</b>		<u>53,907</u>	<u>53,053</u>
<b>Deficit on continuing operations after depreciation of assets at valuation and before exceptional items and tax</b>		<b>(747)</b>	<b>(1,854)</b>
Share of operating loss of associate	18	(205)	-
Impairment of assets	13	-	(342)
Staff restructuring	5	(1,708)	(164)
<b>Deficit on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax</b>	<b>21</b>	<b>(2,660)</b>	<b>(2,360)</b>
Taxation	9	-	-
<b>Deficit on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets and tax</b>		<u><b>(2,660)</b></u>	<u><b>(2,360)</b></u>

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

**Consolidated statement of historical cost surpluses and deficits**  
*for the year ended 31 July 2015*

	<i>Note</i>	2015 £'000	2014 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax		(2,660)	(2,360)
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	20	170	170
<b>Historical cost deficit for the year</b>		<b>(2,490)</b>	<b>(2,190)</b>

**Consolidated statement of total recognised gains and losses**  
*for the year ended 31 July 2015*

	<i>Note</i>	2015 £'000	2014 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax	21	(2,660)	(2,360)
Actuarial loss in respect of pension schemes	21	(3,647)	(8,328)
Actuarial loss in respect of enhanced pension provision	18	(34)	(35)
<b>Total recognised losses relating to the year</b>		<b>(6,341)</b>	<b>(10,723)</b>
<b>Reconciliation</b>		<b>£'000</b>	
Opening reserves		11,281	
Total recognised losses for the year		(6,341)	
Closing reserves		<b>4,940</b>	



**Balance sheets**  
*as at 31 July 2015*

	Group 2015	College 2015	Group 2014	College 2014
	£'000	£'000	£'000	£'000
<b>Fixed assets</b>				
Tangible assets	11	54,432	54,432	52,535
Investments	12	-	-	-
Intangible assets	13	-	-	-
		<u>54,432</u>	<u>54,432</u>	<u>52,535</u>
<b>Current assets</b>				
Assets held for sale		374	374	374
Debtors: due within one year	14	3,466	2,746	2,868
Debtors: due after one year	14	-	1,231	-
Cash at bank & in hand		864	863	1,485
		<u>4,704</u>	<u>5,214</u>	<u>4,727</u>
<b>Creditors: Amounts falling due within one year before reclassification of long term debt</b>	15	(8,335)	(7,837)	(5,184)
Reclassification of long term debt	16	-	-	(6,901)
<b>Creditors: Amounts falling due within one year</b>		<u>(8,335)</u>	<u>(7,837)</u>	<u>(12,085)</u>
<b>Net current liabilities</b>		<u>(3,631)</u>	<u>(2,623)</u>	<u>(7,358)</u>
<b>Total assets less current liabilities</b>		<u>50,801</u>	<u>51,809</u>	<u>45,177</u>
<b>Creditors: Amounts falling due after more than one year</b>	16	(10,682)	(10,882)	(4,732)
<b>Provisions for liabilities and charges</b>	18	(1,171)	(998)	(1,000)
<b>Net assets excluding pension liability</b>		<u>38,948</u>	<u>40,129</u>	<u>39,445</u>
<b>Net pension liability</b>	22	(25,816)	(25,816)	(21,199)
<b>Net assets including pension liability</b>		<u>13,132</u>	<u>14,313</u>	<u>18,246</u>
<b>Deferred capital grants</b>	19	8,192	8,192	6,965
<b>Reserves</b>				
Revaluation reserve	20	10,213	10,213	10,383
Income and expenditure account	21	20,543	21,724	22,097
Pension reserve	21/22	(25,816)	(25,816)	(21,199)
		<u>13,132</u>	<u>14,313</u>	<u>18,246</u>

The financial statements on pages 23 to 48 were approved and authorised for issue by the Corporation on 8 December 2015 and were signed on its behalf by:

  
Chairman

  
Group Chief Executive

**Consolidated Cash flow statement**  
*for the year ended 31 July 2015*

	<i>Note</i>	2015 £'000	2014 £'000
Cash flow from operating activities	23	5,120	230
Returns on Investments and servicing of finance	25	(581)	(374)
Capital expenditure and financial investment	25	(4,619)	(9,399)
Cash flow before use of liquid resources and financing		(80)	(9,543)
Management of liquid resources		-	-
Financing	25	(541)	6,922
Decrease in cash		(621)	(2,621)

**Reconciliation of net cash flow to movement in net funds**

	2015 £'000	2014 £'000
Decrease in cash in the period	(621)	(2,621)
Change in net debt resulting from cash flows	541	(6,922)
Movement in net funds in period	(80)	(9,543)
Net funds at 1 August	(10,464)	(921)
Net funds at 31 July	(10,544)	(10,464)

## **Notes**

*(forming part of the financial statements)*

### **Accounting Policies**

#### **1 Statement of accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

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

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP), the *Accounts Direction for 2014-15 financial statements* published jointly by the SFA and EFA, and in accordance with applicable Accounting Standards.

The consolidated financial statements include the financial statements of the College, its subsidiary undertaking Activate Enterprise Limited, and the group's share of the operating result of its joint venture undertaking The Oxfordshire Partnership, made up to 31 July 2015. Intra-group sales and profits are eliminated fully on consolidation.

#### ***Basis of accounting***

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

#### ***Basis of consolidation***

The consolidated financial statements include Activate Learning and its subsidiaries, Activate Enterprise Limited and Activate Learning Investments Limited. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2015.

#### ***Recognition of income***

The non-recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

Funding body recurrent grants are recognised 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 Single 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 at the end of November 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.

Other discrete funds received during the year from the SFA and EFA (formerly the LSC) are taken to income as expenditure is incurred in line with the specific terms and conditions attached to each fund by the funding agency.

Where the Group receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the Group does not have direct control over the future economic benefits derived from these funds. The Group has applied this policy to certain funds received during the year from the SFA and EFA (see note 29).

## **Notes (continued)**

### **1. Statement of accounting policies (continued)**

#### ***Recognition of income (continued)***

Non-recurrent grants from the SFA and EFA (formerly the LSC) or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors, for example the National Health Service

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

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

#### ***Post retirement benefits***

Retirement benefits to employees of the Group are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the TPS are charged as incurred.

Contributions to the TPS scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the Group 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 quinquennial valuations using a prospective benefit method.

As stated in Note 22, the TPS is a multi employer scheme and the college 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 scheme and the contributions recognised as they are paid each year should be included.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Further details of the pension schemes are given in note 22

#### ***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 and expenditure account 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 SFA.

#### ***Tangible fixed assets***

##### ***Land and buildings***

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost.

## Notes (continued)

### 1. Statement of accounting policies (continued)

#### *Tangible Fixed Assets (continued)*

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the Group of 50 years. The Group has adopted the transitional provisions of FRS 15 and has determined not to subsequently revalue its fixed assets from the amounts currently included within the financial statements.

The Group has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

On adoption of FRS 15, the Group followed the transitional provisions to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

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 capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

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(s) may not be recoverable.

#### *Subsequent expenditure on existing fixed assets*

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Assets capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the assets life beyond that conferred by repairs and maintenance

#### *Assets under construction*

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

#### *Equipment*

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation.

Inherited equipment is depreciated on a straight line basis over its remaining useful economic life to the Group of 5 years. All other equipment is depreciated over its useful economic life as follows:

Motor vehicles	-	4 years
General equipment	-	5 years
Computer equipment	-	3 years
Furniture	-	10 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

## **Notes (continued)**

### **1 Statement of accounting policies (continued)**

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

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright.

The relevant assets are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

#### ***Intangible Fixed Assets***

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the income and expenditure account over its estimated economic life of 10 years.

#### ***Investments***

##### ***College - Subsidiary undertakings***

Investment in subsidiaries are valued at cost less provision for impairment

##### ***Group - Associated undertakings***

Investments in associates are stated at the amount of the Group's share of net assets. The Income and Expenditure account includes the Group's share of the associated companies' profits using the equity accounting basis.

#### ***Stocks***

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

#### ***Maintenance of premises***

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

#### ***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 year with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

#### ***Taxation***

The Group 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 Group is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 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 Group receives no similar exemption in respect of Value Added Tax. For this reason the Group is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

## Notes (continued)

### 1. Statement of accounting policies (continued)

#### *Liquid resources*

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

#### *Provisions*

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.

#### *Cash*

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

#### *Agency arrangements*

The Group acts as an agent in the collection and payment of Learner Support Funds. Related payments received from the SFA and EFA and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 30, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The Group employs 1 member of staff dedicated to the administration of Learner Support Fund applications and payments.

#### *Going concern*

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

The College has entered into an overdraft facility with its bankers to meet its obligations as they fall due for a minimum of 12 months from the date of the accounts. Having taken into account all available information, in particular forecasts for the twelve months from the date of approval of the financial statements, and appropriate sensitivity analyses; the College will be able to operate within the limits of the overdraft facility. It is therefore appropriate to prepare the accounts on a going concern basis.

### 2 Funding Council income

	2015 £'000	2014 £'000
Recurrent grant – SFA and EFA	32,774	30,785
Non Recurrent grant – HEFCE	48	64
Non recurrent grants – SFA and EFA	7,838	6,968
Releases of deferred capital grants (note 19)	313	248
	<hr/>	<hr/>
	<b>40,973</b>	<b>38,065</b>
	<hr/> <hr/>	<hr/> <hr/>

**Notes (continued)**

**3 Tuition fees and education contracts**

	2015 £'000	2014 £'000
Tuition Fees	4,720	4,091
Education Contracts	2,040	3,658
	<u>6,760</u>	<u>7,749</u>

**4 Investment income**

	2015 £'000	2014 £'000
Interest receivable	6	22

**5 Staff numbers and costs**

The average number of persons employed by the Group (including senior post-holders) during the year, expressed as full-time equivalents, was as follows:

	2015 Number	2014 Number
Teaching staff	436	498
Non Teaching staff	637	524
	<u>1,073</u>	<u>1,022</u>

The numbers above do not include estimates of the staff numbers employed through contracting out arrangements. Staff costs for the above persons were as follows:

	2015 £'000	2014 £'000
Wages and salaries	26,815	26,843
Social security costs	1,862	1,873
Other pension costs (includes FRS17 adjustments of £651,000, £757,000 in 2014)	3,659	3,757
	<u>32,338</u>	<u>32,473</u>
Payroll sub total	32,338	32,473
Contracted-out lecturing services	1,087	2,331
Exceptional staff restructuring	<u>1,708</u>	<u>184</u>
	<u>35,131</u>	<u>34,988</u>



**Notes (continued)**

**5 Staff numbers and costs (continued)**

The number of staff, including senior post-holders and the Group Chief Executive, who received emoluments in the following ranges was:

	2015 Number of senior post- holders	2015 Number of other staff	2014 Number of senior post- holders	2014 Number of other staff
£60,001 to £70,000	0	6	0	6
£70,001 to £80,000	0	1	0	2
£80,001 to £90,000	0	4	0	2
£90,001 to £100,000	0	1	0	4
£100,000 to £120,000	1	0	0	0
£130,001 to £140,000	0	0	1	0
£140,001 to £150,000	0	0	0	0
£150,001 to £180,000	1	0	0	0
£180,001 to £190,000	0	0	1	0

**6 Emoluments of senior post-holders and members**

	2015 Number	2014 Number
The number of senior post-holders including the Group Chief Executive was	2	2

Senior post-holders' emoluments are made up as follows:

	2015 £'000	2014 £'000
Salaries	259	259
Pension contributions	15	31
Benefits in kind	25	33
	<b>299</b>	<b>323</b>

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

	2015 £'000	2014 £'000
Salaries	152	152
Pension contributions	-	16
Benefits in kind	18	20
	<b>170</b>	<b>188</b>

**Notes (continued)**

**6 Emoluments of senior post-holders and members (continued)**

The pension contributions in respect of the Group Chief Executive and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme / Local Government Pension Scheme and are paid at the same rate as for other employees.

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

**Compensation for loss of office paid to a former senior post-holder**

	2015 £'000	2014 £'000
Compensation paid to the former senior post holder	37	-

The compensation paid to a former senior post holder was approved by the Group Chief Executive.

**7 Other operating expenses**

	2015 £'000	2014 £'000
Teaching costs	7,665	4,888
Non teaching costs	4,289	6,767
Premises costs	3,578	3,439
	<b>15,532</b>	<b>15,094</b>

Other operating expenses include:

	2015 £'000	2014 £'000
Auditors remuneration:		
Financial statements audit (includes £20k in respect of the college (2014: £21k))	26	28
Internal audit (all in respect of the college)	54	20
Other services provided by the financial statements auditors	5	44

**Notes (continued)**

<b>8 Interest payable</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans and overdrafts:		
Repayable wholly or partly in more than five years	547	396
Bank overdraft arrangement fees	71	-
	<hr/>	<hr/>
	618	396
 FRS17/SSAP 24 Pension costs (note 21)	 359	 193
	<hr/>	<hr/>
	<b>977</b>	<b>589</b>
	<hr/>	<hr/>

**9 Taxation**

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

**10 Deficit on continuing operations for the period**

The deficit on continuing operations for the year is made up as follows:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
College's deficit for the period	1,635	2,209
Deficit generated by subsidiary undertakings	820	151
Share of operating deficit of associate undertakings	205	-
	<hr/>	<hr/>
	<b>2,660</b>	<b>2,360</b>
	<hr/>	<hr/>

**Notes (continued)**

**11 Tangible fixed assets**

	Group and college			
	Freehold Land & Buildings	Work In Progress	Equipment	Total
	£'000	£'000	£'000	£'000
<i>Cost or valuation</i>				
At 1 August 2014	56,975	8,662	22,986	88,623
Additions	691	3,958	1,223	5,872
Transfers	7,250	(11,388)	4,138	-
<b>At 31 July 2015</b>	<b>64,916</b>	<b>1,232</b>	<b>28,347</b>	<b>94,495</b>
<i>Accumulated depreciation</i>				
At 1 August 2014	16,410	-	19,678	36,088
Charge for year	1,831	-	2,144	3,975
<b>At 31 July 2015</b>	<b>18,241</b>	<b>-</b>	<b>21,822</b>	<b>40,063</b>
<i>Net book value</i>				
<b>At 31 July 2015</b>	<b>48,875</b>	<b>1,232</b>	<b>6,525</b>	<b>54,432</b>
At 31 July 2014	40,565	8,662	3,308	52,535
Inherited	9,839	-	-	9,839
Financed by capital grant	6,276	1,164	223	7,663
Other	30,560	68	6,302	36,930
<b>At 31 July 2015</b>	<b>46,675</b>	<b>1,232</b>	<b>6,525</b>	<b>54,432</b>

## Notes (continued)

### 11 Tangible fixed assets (continued)

The transitional rules set out in FRS 15 *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 £10,213,000 (2014: £10,383,000) have been financed from exchequer funds. Should these assets be sold, the Group may be liable, under the terms of the financial memorandum with the Skills Funding Agency, to surrender the proceeds.

If inherited land and buildings had not been valued they would have been included at a cost of £nil

### 12 Investments

	College and Group	
	2015	2014
	£'000	£'000
Investments in subsidiary companies	-	-
Investment in associate	-	-
<b>Total</b>	<u>-</u>	<u>-</u>

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

The Group owns 37 per cent of The Oxford Partnership LLC, a company incorporated in Saudi Arabia. The initial cost of which was £31,598. The principal activity of The Oxford Partnership LLC is the provision of education. The investment is held by Activate Learning Investment Limited, a company limited by guarantee which is incorporated in England & Wales and which is controlled by Activate Learning.

### 13 Intangible Assets

	Group	Group
	2015	2014
	£'000	£'000
Cost as at 01 August	-	208
Impairment	-	(208)
Carried forward as at 31 July	<u>-</u>	<u>-</u>

**Notes (continued)**

**14 Debtors**

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Amounts falling due within one year:				
Trade debtors	1,509	1,163	1,490	1,490
Prepayments and accrued income	1,100	752	1,167	1,167
Other Debtors	857	831	211	211
Amounts due from subsidiary undertaking	-	1,231	-	46
	<b>3,466</b>	<b>3,977</b>	<b>2,868</b>	<b>2,914</b>

Included in the above college debtors is an amount of £1,231k due from subsidiary undertakings that falls due after more than one year.

**15 Creditors: Amounts falling due within one year**

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Bank loans and overdrafts	726	726	316	316
Other payments received in advance	131	131	555	555
Trade creditors	1,501	1,422	2,071	2,071
Other taxation and social security	1,029	1,029	1,110	1,110
Accruals and deferred income	2,951	2,532	580	580
Other amounts owed to Funding Bodies	1,997	1,997	552	552
Amounts falling due within one year before reclassification of long term debt	<b>8,335</b>	<b>7,837</b>	<b>5,184</b>	<b>5,184</b>
Reclassification of long term debt (note 16)	-	-	6,901	6,901
	<b>8,335</b>	<b>7,837</b>	<b>12,085</b>	<b>12,085</b>

**16 Creditors: Amounts falling due after more than one year**

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Bank loans (note 17)	10,682	10,682	11,633	11,633
Reclassification of long term debt	-	-	(6,901)	(6,901)
	<b>10,682</b>	<b>10,682</b>	<b>4,732</b>	<b>4,732</b>

**Notes (continued)**

**17 Analysis of borrowings**

**Bank loans and overdrafts**

	<b>Group and College</b>	
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts are repayable as follows		
Within one year (note 15)	726	7,217
Between one to two years	726	357
Between two and five years	2,176	1,071
In five years or more	7,780	3,304
	<b>11,408</b>	<b>11,949</b>

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

**18 Provisions for liabilities and charges**

	<b>Group</b>	<b>Group and college</b>	<b>Group</b>
	<b>Provision for associate</b>	<b>Enhanced pension</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2014	-	1,000	1,000
Expenditure in the period	-	(77)	(77)
Actuarial loss for the year	-	34	34
Transferred to income and expenditure account		41	41
Acquisition of associate	(32)	-	(32)
Operating loss of associate for the period	205	-	205
	<b>173</b>	<b>998</b>	<b>1,171</b>

**Enhanced pension**

The enhanced pension provision relates to the cost of staff who have already left the Group's employment. This provision has been recalculated in accordance with guidance issued by the SFA

The principal assumptions for this calculation are:

	<b>2015</b>	<b>2014</b>
Price inflation	3.46%	4.06%
Discount rate	1.75%	2.25%

**Provision for operating deficit of associate**

Provision has been made for the group's share of the net liabilities of its associated undertaking, The Oxfordshire Partnership LLC.

**Notes (continued)**

**19 Deferred capital grants**

	Group and College		
	SFA and EFA £'000	Other Grants £'000	Total £'000
At 1 August 2014	5,990	975	6,965
Grants deferred	1,782	-	1,782
Released to income and expenditure account	(313)	(242)	(555)
<b>At 31 July 2015</b>	<b>7,459</b>	<b>733</b>	<b>8,192</b>

**20 Revaluation reserve**

	Group and College £'000
At 1 August 2014	10,383
Transfer from revaluation reserve to income and expenditure account in respect of: Depreciation on re-valued assets	(170)
<b>At 31 July 2015</b>	<b>10,213</b>

**21 Income and expenditure account**

	Group £'000	College £'000
At 1 August 2014	898	944
Deficit on continuing operations after depreciation of assets at valuation and tax	(2,660)	(1,525)
Transfer from revaluation reserve to income and expenditure account – depreciation	170	170
Actuarial loss in respect of pension scheme	(3,647)	(3,647)
Actuarial loss in respect of enhance pensions	(34)	(34)
<b>At 31 July 2015</b>	<b>(5,273)</b>	<b>(4,092)</b>
<b>Balance represented by</b>	<b>£'000</b>	<b>£'000</b>
Pension reserve	(25,816)	(25,816)
Income and expenditure account excluding pension reserve	20,543	21,724
<b>At 31 July 2015</b>	<b>(5,273)</b>	<b>(4,092)</b>



**Notes (continued)**

**22 Pensions and similar obligations**

The Group's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS)

	2015 £'000	2014 £'000
Teachers' pension scheme: contributions paid	1,565	1,689
Other pension schemes: contributions paid	16	-
Local Government Pension Scheme:		
Contributions paid	1,427	1,311
FRS17 charge	651	757
	2,078	2,068
Charge to the Income & Expenditure Account		
Enhanced pension charge	-	-
	3,659	3,757
<b>Total Pension Cost</b>		

Contributions amounting to £389,179 (2014: £496,789) were payable to the schemes and are included in creditors.

**Teachers' Pension Scheme**

**Introduction**

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

**The Teachers' Pension Budgeting and Valuation Account**

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

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

## Notes (continued)

### 22 Pensions and similar obligations (continued)

#### Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations

The new employer contribution rate for the TPS will be implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

#### Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,565k (2014: £1,689k).

#### FRS17

Under the definitions set out in Financial Reporting Standard (FRS17) Retirement Benefits, 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 FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates

**Notes (continued)**

**22 Pensions and similar obligations (continued)**

**Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Oxfordshire Local Authority. The total contribution made for the year ended 31 July 2015 was £2,139k (2014: £1,992k) of which employers contributions totalled £1,427k and employees' contributions totalled £712k. The contribution rate for 2014/15 has been set at 13.0%.

The following information is based upon a full actuarial valuation of the fund as 31 March 2014 updated to 31 July 2015 by a qualified independent actuary.

<i>Principal Actuarial Assumptions</i>	2015	2014	2013
RPI Increase	3.5%	3.5%	3.4%
CPI Increase	2.6%	2.7%	2.6%
Rate of increase in salaries	4.4%	4.5%	4.8%
Rate of increase in pensions	2.6%	2.7%	2.8%
Discount rate for liabilities	3.8%	4.3%	4.8%
Commutation of pensions to lump sums	-	-	50%

*Mortality assumptions*

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 2015	At 31 July 2014
<i>Retiring today</i>	Males	23.2	23.2
	Females	25.7	25.5
<i>Retiring in 20 years</i>	Males	25.5	25.4
	Females	28.0	27.9

The approximate split of the assets for the Fund as a whole and the assumed rates of return were:

	Long term expected rate of return at 31 July 15	Asset split at 31 July 2015	Long term expected rate of return at 31 July 14	Asset split at 31 July 2014
Equities	n/a	66%	6.8%	72%
Gilts	n/a	12%	3.4%	9%
Other bonds	n/a	3%	4.0%	6%
Property	n/a	7%	6.0%	6%
Cash	n/a	3%	3.2%	5%
Other	n/a	9%	6.8%	2%
<b>Total</b>	<b>6.1%</b>	<b>100%</b>	<b>6.1%</b>	<b>100%</b>

**Notes (continued)**

**22 Pensions and similar obligations (continued)**

	2015 £'000	2014 £'000
Group's estimated asset share	38,018	33,193
Present value of scheme liabilities	(63,769)	(54,327)
Estimated unfunded liabilities	(65)	(65)
	<u>(25,816)</u>	<u>(21,199)</u>

**Analysis of the amount charged to the income and expenditure account**

	2015 £'000	2014 £'000
Service cost	2,214	2,385
Curtailments and settlements	114	42
	<u>2,328</u>	<u>2,427</u>

**Analysis of pension finance income / (costs)**

	2015 £000	2014 £000
Expected return on pension scheme assets	2,062	1,869
Interest on pension scheme liabilities	(2,381)	(2,062)
	<u>(319)</u>	<u>(193)</u>

**Amounts recognised in the statement of total recognised gains and losses (STRGL)**

	2015 £'000	2014 £'000
Actual return less expected return on pension scheme assets	1,348	(571)
Experience gains and losses	-	(1,910)
Changes in assumptions underlying the present value of the scheme liabilities	(4,995)	(5,847)
	<u>(3,647)</u>	<u>(8,328)</u>

**Notes (continued)**

**22 Pensions and similar obligations (continued)**

**Movement in deficit during year**

	2015 £'000	2014 £'000
Deficit in scheme at beginning of year	(21,199)	(11,921)
Movement in year:		
Current service charge	(2,214)	(2,385)
Contributions	1,672	1,885
Unfunded Pension	5	5
Net Interest on assets	(319)	(193)
Settlements or curtailments	(114)	(42)
Actuarial gain / (loss)	(3,647)	(8,328)
	<hr/>	<hr/>
Deficit in scheme at end of year	<b>(25,816)</b>	<b>(21,199)</b>
	<hr/> <hr/>	<hr/> <hr/>

**Asset and Liability Reconciliation**

	2015 £'000	2014 £'000
<b>Reconciliation of Liabilities</b>		
Liabilities at start of period	54,392	41,707
Service cost	2,214	2,385
Interest cost	2,381	2,062
Employee contributions	657	663
Actuarial losses (gains)	4,995	8,113
Benefits paid	(914)	(575)
Losses on curtailments	114	42
Unfunded pension payments	(5)	(5)
	<hr/>	<hr/>
Liabilities at end of period	<b>63,834</b>	<b>54,392</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation of Assets</b>		
Assets at start of period	33,193	29,786
Expected return on assets	2,062	1,869
Actuarial (loss)/gain	1,348	(215)
Employer contributions	1,677	1,670
Employee contributions	657	663
Benefits paid	(919)	(580)
	<hr/>	<hr/>
Assets at end of period	<b>38,018</b>	<b>33,193</b>
	<hr/> <hr/>	<hr/> <hr/>

The estimated value of the employer contributions for the year to 31 July 2015 is £1,713,000.

## Notes (continued)

### 22 Pensions and similar obligations (continued)

#### History of experience gains or losses

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Difference between the expected and actual return on assets. Amount	1,348	(215)	3,612	(1,305)	(1,760)
% of scheme assets	3.5%	(0.6%)	12.1%	(5.5%)	(7.8%)
Experience gains and losses on scheme liabilities					
Amount	-	(2,266)	(2)	(3)	4,244
% of scheme liabilities	-	(4.2%)	(0.0%)	(0.0%)	13.3%
Total amounts recognised in statement of total recognised gains and losses					
Amount	(3,647)	(8,328)	4,633	(5,610)	1,757

### 23 Reconciliation of operating deficit to net cash flow from operating activities

	2015 £'000	2014 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax	(2,680)	(2,360)
Depreciation (note 11)	3,975	2,902
Share of operating loss of associate	205	-
Deferred capital grants released to income (note 19)	(555)	(512)
FRS 17 charge (note 22)	651	757
Impairment charge (note 13)	-	208
Interest receivable (note 4)	(6)	(22)
Interest payable (note 8)	906	589
Increase in debtors (note 14)	(598)	(1,105)
Increase/(decrease) in creditors (note 15)	3,236	(195)
(Decrease) in provisions (note 18)	(34)	(32)
<b>Net cash flow from operating activities</b>	<b>5,120</b>	<b>230</b>

### 24 Analysis of changes in net funds

	At 31 July 2014 £'000	Cash Flows £'000	At 31 July 2015 £'000
Cash at bank and in hand	1,485	(621)	864
Debts due within 1 year	(7,217)	6,491	(726)
Debts due after 1 year	(4,732)	(5,950)	(10,682)
Overdraft	-	-	-
<b>Total</b>	<b>(10,464)</b>	<b>(80)</b>	<b>(10,544)</b>

## Notes (continued)

### 25 Analysis of cash flows for headings netted in the cash flow statement

	2015 £'000	2014 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	6	22
Interest paid	(587)	(396)
	<hr/>	<hr/>
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(581)</b>	<b>(374)</b>
	<hr/>	<hr/>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(5,872)	(11,601)
Deferred capital grants received	1,253	2,202
	<hr/>	<hr/>
<b>Net cash outflow for capital expenditure and financial investment</b>	<b>(4,619)</b>	<b>(9,399)</b>
	<hr/>	<hr/>
<b>Financing</b>		
Repayment of overdraft	-	(27)
New Bank Loan	-	7,000
Repayment of bank loans	(541)	(51)
	<hr/>	<hr/>
<b>Net cash inflow from financing</b>	<b>(541)</b>	<b>6,922</b>

### 26 Post balance sheet events

The group has entered into an agreement to sell land at its site in Banbury with a value of approximately £2m. The sale was contingent on planning permission being obtained which was approved in October 2015.

### 27 Capital commitments

	2015 £'000	2014 £'000
Commitments contracted for at 31 July (Group and Collage)	2,214	3,180

### 28 Financial commitments

At 31 July, the Group had annual commitments under non-cancellable operating leases as follows:

Land & Buildings	2015 £'000	2014 £'000
Expiring between two and five years inclusive	-	-

### 29 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.

## Notes (continued)

### 29 Related party transactions (continued)

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

The Chairman of the Corporation is a partner of a firm of property & construction consultants which is advising the Group on its capital investment programme. An amount of £35,313 was paid to Ridge and Partners LLP during the financial year (2014: £24,826) and the balance outstanding at 31 July 2015 totalled £2,578 (2014: £2,685).

The Vice Chair of the Corporation is a partner in a firm providing project management services and pension advice to the Group. An amount of £52,550 was paid to Grant Thornton during the financial year (2014: £150,347) and the balance outstanding at 31 July 2015 totalled £5,000 (2014: £69,598).

Transactions with the SFA and EFA (formerly the LSC) and HEFCE are detailed in notes 2 and 15.

During the year the Group incurred costs in relation to The Oxfordshire Partnership LLC of £424,908 which were fully reimbursed by the associate. At 31 July 2015, the balance outstanding was £nil.

During the year expenditure totalling £203,467 was incurred by the Group on behalf of UTC Oxfordshire Trust, of which the Group is lead sponsor. Two executive directors of the Group are trustees of UTC Oxfordshire. After repayments made by UTC Oxfordshire Trust, the amount that remained outstanding at 31 July 2015 was £23,792.

During the year the Group provided services totalling £126,911 to UTC Reading, of which the Group is lead sponsor. Two executive directors of the Group are trustees of UTC Reading. The services were all provided at arm's length and in accordance with the Group's financial regulations and normal procurement procedures.

The Group has taken advantage of the exemption available in accordance with FRS 8 "Related Party Disclosures" not to disclose transactions entered into between the parent and subsidiary undertaking.

### 30 Amounts disbursed as agent

Learner support funds	2015 £'000	2014 £'000
Balance Unspent 1 August	550	474
Net grants from the SFA and EFA (formerly the LSC)	1,985	1,716
	<hr/>	<hr/>
	2,535	2,190
Disbursed to students	(1,452)	(1,570)
Administration costs	(93)	(70)
	<hr/>	<hr/>
Balance unspent at 31 July	990	550
	<hr/>	<hr/>

Grants from the SFA and EFA (formerly the LSC) are available solely for students. In the majority of instances, the Group only acts as a paying agent. In these circumstances, the grants and related disbursements have therefore been excluded from the income and expenditure account, other than when the Group has directly incurred expenditure itself.