

Open College of the Arts
(A company limited by guarantee)

Financial Statements

for the year ended 31 July 2019

Charity No. 327446
Company No. 2125674

Open College of the Arts

Financial Statements for the year ended 31 July 2019

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This document constitutes the annual report	

Open College of the Arts

Strategic Report

The Board of Trustees present the report and accounts on behalf of the Trustees for year ended 31 July 2019 which are also prepared to meet the requirements for a Directors' Report and accounts for Companies Act purposes.

This is the first year these financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102 section 1A). They conform to guidance published by the Office for Students.

Purposes and activities for public benefit

The College is a public benefit entity and our students are the College's primary beneficiaries.

The College Trustees confirm that they have complied with their duty to have due regard to the guidance on public benefit issued by the Charity Commission for England and Wales in exercising their duties and trust that this report, together with the information on the College's website (www.oca.ac.uk) and the work the College does in delivering its objectives, is self-evident of its compliance. The mechanisms for the governance and management of OCA have been provided to the Office for Students as part of the requirements for registration of the University for the Creative Arts (UCA) Group. Additionally, in June 2017 the Board of Trustees for OCA agreed to operate within the Charity Governance Code, established by the Charity Commission. We do not believe that the College carries out any activities that could harm its beneficiaries and we are not aware of views amongst others that such harm might arise. No serious incidents of material significance were reported in 2018/19.

OCA is a subsidiary of the University for the Creative Arts (UCA).

The object of the College is to promote and provide education and training in the field of arts and crafts and related skills and disciplines in all countries of the world. The College's mission is aligned to the UCA mission:

OCA Mission - We want to be:

- **At the forefront of student-led creative arts education through open, enhanced, & supported distance learning, for an evolving society.**

The principal work of the College is through the provision of high quality, tutor supported, distance learning courses. This is undertaken using specially written course manuals and associated learning materials which guide students through a programme of work.

Objectives and Strategy

We will:

Advance OCA's charitable purpose and mission through being:

- Open - considering global contexts, increase student mobility, improve progression opportunities and support personal learning through a distinct personal learning programme.
- Engaging – creating engaging student-centred online study environments through learning design and media production.
- Social – Building learning communities, partnership opportunities and advocate networks, including establishing a network of OCA champions and brand ambassadors.
- Ambitious – Establish UCA Online to pioneer digital business practices across UCA, establish and enterprise hub and support apprenticeship, internship and placement opportunities.
- Sustainable – Diversify income and increase postgraduate and non-accredited offers. Develop the enterprise hub to establish pipelines for funding.

- Evolving – Establish an international strategy for distance and blended learning, embed assessment for learning to provide flexible and sustainable assessment.
- Professional - Agile and responsive to change, use evidence-based approaches to decision making, increase opportunity for knowledge transfer and provide a motivating environment to work and study.

Our key priorities are to:

- Apply digital and pedagogical innovation to benefit learners and the University
- Be in a robust and sustainable position financially through international development
- Create a motivating place to work and study
- Enhance our educational offer, through:
 - Distinctiveness of our curriculum
 - Improving policy in part time and distance education
 - Open and accessible routes into creative arts education
 - Internationalisation
 - Flexible and interdisciplinary learning
 - Inclusive approaches that closes UCA's equality gaps and widens participation
 - A practice-based approach with embedded employability skills.

These priorities will be achieved by increasing student enrolments following targeted marketing activities and continuing the progress made in the improvement in the student offering described below.

Achievements and performance

During the year the OCA undertook a significant amount of change to improve organisational efficiency and sustainability whilst continuing to maintain its charitable purpose.

Notable achievements include:

- Achieved a high score in NSS (second year running), in particular in Photography and Creative Arts which were again 93% in satisfaction.
- Led a successful assessment review and conclusion to move to digital assessment at HE4 for OCA. Pilots underway for 2019/20 (cost reduction, sustainable assessment, improved student retention).
- Developed a strategic partnership with Artslink, subject to approval.
- Developed a partnership with mental health charity SANE. Opportunities for student funding.
- VLE established and piloting of courses underway
- Project 2018 successfully concluded, leading to approach of establishing annual funded "Projects" contributing to strategic plan.
- Successfully piloted groupwork, leading implementation of groupwork on all programmes from 2020 (cost reduction, improved student support).
- Garden Design Programme successfully validated, development and rollout underway.
- Approval for awards (DipHE/Cert HE). Implementing for Garden Design in 2019 and for other programmes 2020+.
- Successfully established an OCA programme presence on UCAS (yet to be publicised).
- Reduced operating costs through improved budget management and responsibility and through efficiency savings.
- Established new enquirer website, meeting CMA compliance, GDPR compliance and improving enquirer enrolment pathways.
- Established a Remuneration and Development group to oversee staff and tutor rewards and development.
- Successfully implemented new Programme Leader pay and contracts from June 2019.

Key performance indicators

New students, course enrolments and course unit completions are all key indicators of the health of the organisation and act as useful performance measures. 2018/19 was a challenging year with an initial drop in enrolments in the opening months, however this improved and enrolments increased 5% on prior year. The College also saw an increase of 3% in the number of new students enrolling. The confirmed completion rate remained static from prior year, this rate is derived from students who actively engaged with their course unit and subsequently completed.

	2018/19	2017/18
Enrolments	1,451	1,382
New Students	790	768
Confirmed Completion Rate	54.3%	54.1%

Future Indicators

KPI's for 2019/20 extend from prior year by adding an indicator on social impact to ensure that as OCA evolves and the College continues to check that its social mission to increase access to the creative arts is being furthered. The indicators for 2019/20 allow OCA to judge the health of the organisation; as explained earlier the indicators such as new students, course unit enrolments and unit completions are all measures the College uses to track performance and demonstrate year on year improvement. The academic indicators on retention and widening participation enable the College to ensure that it is improving the outcomes for the widest demographic, including those who are most disadvantaged. The social impact measure is still in development however when it is refined it will allow the College to see how its work is making a difference to society and the impact that is having on the wider community. The KPI's are extremely ambitious, in particular around new students and enrolment targets, however these are set accordingly due to the changes which have been bedded in to improve marketing and sales which are expected to increase enrolments.

Commercial indicators for 2019/20

- Financial - to achieve an annual surplus of £109k
- Enrolments - 1,650 foundations and undergraduate course unit enrolments
- New Students - 966 new foundations and undergraduate students
- Conversion - minimum conversion rate of >5% for general campaigns and website enrolment through organic search routes and a conversion rate of >10% for targeted campaigns for specific offers and subjects in specialist media channels.

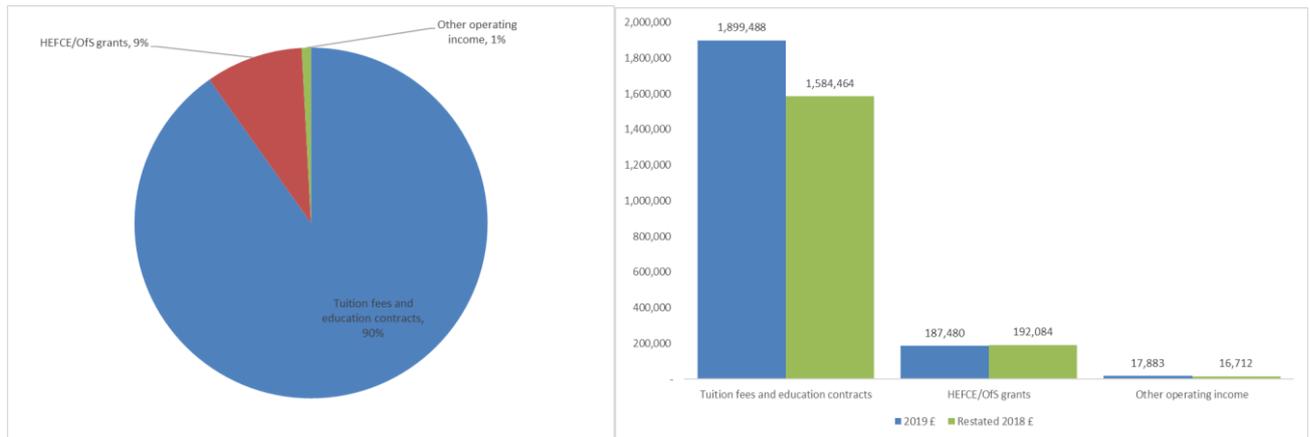
Academic indicators for 2019/20

- Retention Rate and Awards - first unit completion rate of 35%; total completion rate of 55% and a reduction in the percentage of unclassified degrees to below 10%.
- Widening Participation - maintaining the level of disabled students at 20% (minimum), increase students from BAME background by 1.5% and to improve opportunities for learners in secure environments and from disadvantaged backgrounds (POLAR 1-3 quintiles) through the learner support fund for 2019/20, ensuring that the numbers of those students are maintained.
- Social Impact measurement – Improvement in conditions from previous years.

Financial review

The College achieved a surplus of £150,702 for the year ended 31 July 2019.

Income



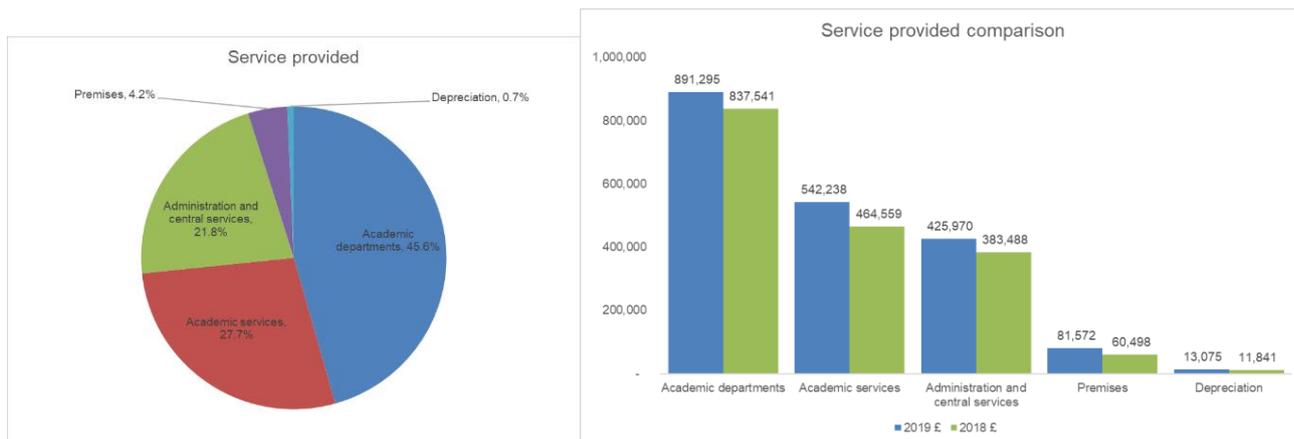
The main source of the College's income is tuition fees; students have the flexibility to complete their degree course over a number of years and are invoiced for each unit as they commence; an element of income is deferred for units which have not been completed, the method of deferring this income is described within the accounting policy note for Income Recognition. The method of calculating deferred income has changed for the year ended 31 July 2019 and the effect of this change is described in note 15 to these financial statements. Tuition fee income restated following the change in the calculation of deferred income has increased by 20% year on year. The College receives grant funding via UCA from the Office for Students (OfS) which is used for widening participation activities. The amount of the grant in future will depend on the College's student numbers and government policy in relation to the funding of higher education.

Expenditure



In the year, the College made the decision to update the Programme Leaders' employment contracts to incorporate additional activities, the cost of this will be offset against operating costs in future years. Staff costs amount to 45% of the College's expenditure; pay to tutors is variable and is dependent upon the number and type of enrolled courses.

Investment was made in the digital transformation of the College's website and projects to establish a virtual learning environment and to review assessment processes. Once the projects are complete and rolled out efficiency savings will be made, practices will be more sustainable, and the College's provision will be more attractive, competitive and marketable. There has been increased support in quality assurance, student administration, library and student services and IT infrastructure and support, provided by UCA at a cost of circa £100k under the Service Level Agreement (SLA).



The College has made use of the OfS grant funding to enable it to provide extra learning support, student opportunities, course and tutor development in year.

Financial Strategy

The College's Financial Strategy is to eliminate the accumulated deficit, by increasing student enrolments whilst actively managing costs to achieve annual surpluses.

Investment powers and policy

The Trustees have the power to invest (to the extent that there are surpluses available for this purpose). During 2018/19 there were no such investment surpluses.

Going concern

The College achieved a surplus in the year of £150,702 (2018: £35,333) and the Trustees have an agreed budget and Corporate Annual Plan for the forthcoming financial year and a five-year plan to return the College to an accumulated surplus position. As at 31 July 2019, the College reported an accumulated deficit of £151,836, the College's largest creditor being a deferred income balance of £684,043 (2018: £685,036). The College is cash positive and is forecast to remain so. Having reviewed the College's recent performance and the five-year plan, Trustee's assessment is that the College is a going concern. Additionally, UCA has confirmed that it will provide financial support to enable the College to meet its liabilities as they fall due for the foreseeable future and for a period of at least twelve months from the date the financial statements are signed.

The College has no restricted reserves.

Future Plans

The College remains committed to widening access and improving the quality of its course provision and will:

- Deliver an ambitious strategic plan that establishes "Open UCA" whilst maintaining OCA charitable purpose for social impact and widening access to arts education.
- Conduct reviews of OCA, and OCA functions, to understand and improve organisational alignment within the UCA group.
- Establish a digital transformation strategy that provides a new student experience, more peer learning support, increased opportunity for community and collaboration, online portfolios and enhanced practice around feedback and assessment.
- Improve financial, HR and operating processes, with appropriate auditing and control.
- Embed new marketing, market research and sales approach to improve enquirer conversion and increase enrolments.
- Implement "projects" for knowledge exchange.
- Establish a pipeline for external funding and Enterprise to mitigate reduction in grant funding and to diversify income.
- Establish new curriculum and assessment models with a focus on digital assessment.

Managing Risks and Uncertainty

Unlike other education providers, students of the College can commence and complete courses to their own timeframe, subject to some maximum limits, rather than within a traditional academic year. Also, the application to enrolment process is much faster, this means that the College has less time to predict and react to changing enrolment numbers. The College manages this risk by monitoring enrolments on a daily basis and preparing statistics on student completion rates and reacting to changes by increasing marketing activity and reducing costs if necessary. The College invests in marketing activities by advertising courses to prospective students who may not be aware of the potential to study in the non-traditional manner.

As a long-distance learning College, the quality of the on-line provision is an important factor in the success of students and the College has invested and continues to invest, in the student offering to encourage both new enrolments and engagement and re-enrolment from current students. Additionally, the security over the on-line resources and data held by the College is paramount and the College is supported by its parent UCA who host services in addition to employing its own IT and security resource.

Approval

This report was approved by the Trustees and signed on their behalf by:

Alan Cooke
Chairman of the Board of Trustees
26 November 2019

Board of Trustees

Catherine Baxandall
Professor Roni Brown
Professor Alan Cooke
Professor Patricia Cullen
Marie-Claire Isaaman
John Oliver
Harry Rich
Carlos Manuel Cortes Pereira Sa
Caroline Woolfe

Company Secretary

Marion Wilks

Principal & Chief Executive

Will Woods

Bankers

Barclays Bank plc, 10 Market Street, Bradford, BD1 1EG

Auditors

Internal Auditors: BDO LLP, 55 Baker Street, London, W1U 7EU
External Auditors: Grant Thornton UK LLP, 30 Finsbury Square, London, EC2A 1AG

Solicitors

Eversheds LLP, 1 Callaghan Square, Cardiff, CF10 5BT

Country of Incorporation

England

Registered Office

Unit 1B
Redbrook Business Park
Wilthorpe Road
Barnsley
South Yorkshire
S75 1JN

Responsibilities and Corporate Governance Statement

Responsibilities of the Board of Trustees

In accordance with the College's Articles of Association, the Trustees who are also the Directors of the Open College of the Arts are responsible for the administration and management of the affairs of the College.

These responsibilities are set out in OCA's governing documents:

- Memorandum and Articles of Association;
- Board of Trustees Terms of Reference;
- The Role of Trustee at the Open College of the Arts;
- Code of Practice for Protecting Academic Freedom.

OCA's objects, powers and framework of governance are set out in its Articles of Association. Its Board of Trustees comprises nine members, all of whom are non-executive.

The Trustees are required to present audited financial statements for each financial year and is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Companies Act 2006, FRS102 section 1A and the Statement of Recommended Practice (SORP 2015) "Accounting for Further and Higher Education". In addition, within the Office for Students (OfS) Terms and Conditions of Funding for Higher Education Institutions, the College is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit and cash flows for that year. The results of the College are consolidated within the UCA group financial statements.

When preparing the financial statements, the Trustees ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation. The Trustees are satisfied that the College has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Trustees have taken reasonable steps to:

- ensure that funds indirectly received from the OfS are used only for the purposes for which they have been given and in accordance with the OfS' Terms and Conditions of Funding for Higher Education Institutions and any other conditions which these funding bodies may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and the prevention and detection of fraud, bribery and other irregularities;
- secure the economical, efficient and effective management of the College's resources and expenditure.

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

Corporate Governance

Principles and ethos of the College

The College endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the guidance to institutions of higher education which has been provided by the Committee of University Chairs (CUC) in its Higher Education Code of Governance, published in December 2014 and revised in June 2018. A Register of Interests of Trustees and senior managers is regularly maintained.

Constitution and structural organisation

The Open College of the Arts (OCA) is a wholly owned subsidiary of the UCA as a result of a transfer deed entered into on 1 November 2016. OCA is a charitable company limited by guarantee; as such it is regulated by the Charity Commission for England and Wales. The nature of the relationship between UCA and OCA and the terms on which they provide services to each other are set out in a Service Level Agreement. OCA has its own management and governance arrangements.

The College's Board of Trustees comprises nine members appointed under the Articles of Association of the College, all of whom are non-executive. The Board conducts regular reviews of its effectiveness including a trustee skills audit which took place in November 2017. The audit determined that there was a need to increase the diversity of board members and a process of trustee recruitment was undertaken which increased the Board of Trustees from six to eight members from February 2018 and increasing to nine members in November 2018, to include new members with a variety of backgrounds and experience from outside traditional HE but who share the mission and values of OCA. The Board of Trustees normally meets three times a year.

Amongst its responsibilities it keeps under review the effectiveness of the risk management arrangements and provides an opinion on the adequacy of the management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), the Student Loans Company, the OfS and other bodies.

The Audit & Risk Committee of UCA oversees the College's programme of internal audit. The Audit & Risk Committee meets at least four times a year and comprises of lay members of the UCA Board of Governors and a co-opted member, none of whom serves on the Employment & Finance Committee of UCA. The College's internal and external auditors are in attendance and the members meet the auditors without the officers of the UCA present immediately before each committee meeting. The Committee and the College's Board of Trustees considers detailed reports from the auditors, which include recommendations for the improvement of the College's systems of internal control, together with management responses and implementation plans. It also receives and considers guidance from the OfS through the Audit Code of Practice as it affects the College's business and monitors adherence to the regulatory framework.

Committee considers the annual report for the Prevent Duty and the annual Modern Slavery and Human Trafficking Statement.

The Remuneration and Development Group advises the OCA Board on the remuneration of the holders of senior posts and monitors their performance. In carrying out their responsibilities, each member of the remuneration and development group acts in a way which he or she considers, in good faith, to be most likely to promote the success of the OCA for the benefit of its members as a whole. No individual may participate in deliberations in which their remuneration is being directly discussed or in decisions which directly affect their personal remuneration.

The Trustees and UCA's Board of Governors are responsible for approving OCA's strategic direction, and UCA's Employment & Finance Committee receives financial reports in respect of the College. Reports on OCA risks are received by its Board of Trustees, which provides an annual statement of assurance to the Audit & Risk Committee; in the period of report the College was encompassed by the UCA's internal audit programme.

UCA approves appointments to the OCA Board of Trustees on the recommendation of UCA Nominations Committee.

Internal control

The Board of Trustees has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Trustees within the Articles of Association and the OfS' Terms and Conditions of Funding for Higher Education Institutions.

This system is based on an on-going process designed to identify the principal risks to the achievement of the College's aims and objectives; to evaluate the likelihood and impact of those risks; and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2019 and up to the date of approval of the financial statements and accords with OfS guidance.

The key elements of the College's systems of risk management and internal control, which are designed to discharge the responsibilities set out above, include the following:

- oversight of risk management by the Trustees;
- annual review of the College's Risk Management Policy & Strategy by the Trustees;
- annual review of risk management effectiveness and risk appetite by the UCA Board of Governors;
- the integration of risk management into the annual planning cycle of the College covering all business, operational, financial and compliance risks. This process is informed by detailed annual income, expenditure, capital and cash flow budgets;
- the maintenance of an institutional Risk Register which is updated annually in accordance with the Strategic Plan and assessed on a quarterly basis. The Register includes an evaluation of the likelihood and impact of risks, and identifies mitigation measures;
- clear definitions of the responsibilities and delegated authority of heads of academic and administrative departments including responsibility for identifying and managing operational risks at a departmental level and escalating significant risk to the Trustees;
- regular reviews of key performance indicators and financial results involving variance reporting and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review by the Trustees.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Board of Trustees has responsibility for reviewing the effectiveness of the systems of risk management and internal control. The following processes have been established:

- the Board of Trustees meets at regular intervals to consider the plans and strategic direction of the College;
- the Board of Trustees, through its consideration of the Risk Register at each meeting, provides oversight of the risk management process and requires regular reports from the College's management on the steps being taken to manage risks, including progress reports on key risks, systems for identifying significant risks facing the College, identifying actions required to minimise risk and regularly evaluating risks, using key risk and performance indicators;
- a professional Internal Audit team, whose annual programme is risk-based and approved by the UCA Audit & Risk Committee, reports regularly to Board of Trustees on specific areas of internal control relating to the College, which include an independent opinion on the adequacy of the effectiveness of the College's systems of internal control together with recommendations for improvement;
- management makes regular reports and presentations to the Board of Trustees on internal control and risk mitigation actions.

The Trustees' review of the effectiveness of the system of internal control was informed during the year by the Internal Auditors, BDO LLP, who operate to standards defined in the OfS Audit Code of Practice. The Internal Auditors provide reports to the Board of Trustees following their audits, which provides an independent opinion on the adequacy and effectiveness of the College's system of internal control with recommendations for improvement. The Board's review is also informed by the work of the senior managers within the College, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditors, Grant Thornton, in their Management Letter and other reports. In the opinion of Trustees there were no significant internal control weaknesses or failures arising during the year ended 31 July 2019 and up to the date of approval of the financial statements.

Signed _____

Will Woods
Principal & Chief Executive

26 November 2019

Signed _____

Alan Cooke
Chairman of the Board of Trustees

26 November 2019

Independent auditor's report to the Trustees of Open College of the Arts

Opinion

We have audited the financial statements of Open College of the Arts (the 'charitable company' or 'College') for the year ended 31 July 2019, which comprise the statement of comprehensive income, the balance sheet, the statement of cash flow, the statement of changes in reserves the statement of principal accounting policies and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2019 and of its incoming resources and application of resources including, its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education published in March 2014; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We have been appointed as auditor under the Companies Act 2006 and report in accordance with the requirements of that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report therein, prepared for the purposes of company law, included in the financial statements for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the strategic report and the directors' report included therein have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included therein.

Matters on which we are required to report by exception

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

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

Responsibilities of Trustees for the financial statements

As explained more fully in the Statement of trustees' responsibilities set out on page 9, the Trustees (who are also the directors of the College for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

Carol Rudge
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
26 November 2019

Statement of Comprehensive Income

For the year ended 31 July 2019

	Note	2019 £	Restated 2018 £
Income			
Tuition fees and education contracts	1	1,899,488	1,584,464
HEFCE/OfS grants		187,480	192,084
Other operating income	2	17,883	16,712
TOTAL INCOME		2,104,851	1,793,260
Expenditure			
Staff costs	3	883,921	820,426
Other operating expenses	5	1,057,153	925,660
Depreciation	6	13,075	11,841
TOTAL EXPENDITURE	4	1,954,149	1,757,927
Surplus for the year		150,702	35,333
Total comprehensive income for the year		150,702	35,333
All funds are unrestricted funds			

The income and expenditure of the Company relates wholly to continuing operations. The notes on pages 20 to 28 form an integral part of these Financial Statements.

Balance Sheet

As at 31 July 2019

	Note	2019 £	Restated 2018 £
Non-current assets			
Fixed assets	6	20,076	19,052
Current assets			
Stock		5,606	4,593
Trade and other receivables	7	444,295	343,277
Cash and cash equivalents		312,802	295,612
		<u>762,703</u>	<u>643,482</u>
Creditors: amounts falling due within one year	8	(934,615)	(965,072)
Net current liabilities		<u>(171,912)</u>	<u>(321,590)</u>
Total net (liabilities)		<u>(151,836)</u>	<u>(302,538)</u>
Unrestricted reserves			
Income and expenditure reserve - unrestricted		(151,836)	(302,538)
Total accumulated (deficit)		<u>(151,836)</u>	<u>(302,538)</u>

The financial statements were approved by the Board of Trustees on 18th November 2019 and signed on its behalf on 26 November 2019 by:

Will Woods
Principal & Chief Executive

Alan Cooke
Chairman of the Board of Trustees

The notes on pages 20 to 28 form an integral part of these Financial Statements.

Statement of Cash Flow
For the year ended 31 July 2019

	Note	2019 £	Restated 2018 £
Net cash flow from operating activities	10	<u>31,289</u>	<u>(22,653)</u>
Cash flows from investing activities			
Purchase of fixed assets		(14,099)	(21,673)
Net cash outflow from investing activities		<u>(14,099)</u>	<u>(21,673)</u>
Increase/(Decrease) in cash and cash equivalents		<u>17,190</u>	<u>(44,326)</u>
Cash and cash equivalents at the beginning of the year		295,612	339,938
Cash and cash equivalents at the end of the year		<u>312,802</u>	<u>295,612</u>

The notes on pages 20 to 28 form an integral part of these Financial Statements.

Statement of Changes in Reserves

For the year ended 31 July 2019

	Note	Income and expenditure reserve		Total
		Designated fund – Learner Support Scheme	Unrestricted	
		£	£	£
Balance at 1 August 2017 as previously stated		4,832	(142,956)	(138,124)
Prior year adjustment	15		(199,747)	(199,747)
Balance at 1 August 2017 as restated		4,832	(342,703)	(337,871)
surplus from the income and expenditure statement - restated	15	(4,832)	40,165	35,333
Balance at 31 July 2018 as restated (deficit)		-	(302,538)	(302,538)
Surplus from the income and expenditure statement		-	150,702	150,702
Balance at 31 July 2019		-	(151,836)	(151,836)

The notes on pages 20 to 28 form an integral part of these Financial Statements.

Statement of Principal Accounting Policies

1 General Information

Country of registration - England

Registered Office - Unit 1B, Redbrook Business Park, Wilthorpe Road, Barnsley, South Yorkshire, S75 1JN

2 Basis of Preparation

This is the first year these financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102 section 1A). They conform to guidance published by the Office for Students.

The financial statements are prepared in sterling, which is the functional currency of the College.

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

3 Basis of Accounting

The financial statements are prepared under the historical cost convention and have been adjusted for a prior period error.

4 Going Concern

The activities of the College, together with the factors and risks likely to affect its future development and performance, are set out in the Strategic Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The financial statements are prepared on a going concern basis as UCA has confirmed that it will provide financial support to enable the College to meet its liabilities as they fall due for the foreseeable future and for a period of at least twelve months from the date the financial statements are signed.

5 Income Recognition

Tuition fee income for foundation and undergraduate students, who benefit from flexible start and end course dates, is credited to the Statement of Comprehensive Income in proportion to the percentage of completion of service provided by the College to the student. In assessing the percentage of completion of the service the College has evaluated the value of the service provided and the expected costs of completing the service. The College is eligible to the income when a student:

- enrolls and as each course assignment is completed, or
- withdraws or is withdrawn from the course, or
- is unable to complete the course as the maximum time allowed has passed.

Tuition fee income from post graduate courses is recognised over the arranged period of instruction.

Tuition fee income received in advance of performance related conditions being met is carried forward to a future financial year and included in creditors as deferred income.

Where the amount of the tuition fee is reduced, by a refund or discount, income receivable is shown net of the discount.

Income from the sale of goods and services, excluding tuition fee income, is credited to the Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Grant funding from OfS is recognised as income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

6 Accounting for Retirement Benefits

The College has a defined contribution pension scheme for employees. The amounts charged are as payable by the College during the period.

7 Employment Benefits

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

8 Leases

Finance leases

The College does not have any finance leases identified in accordance with FRS 102 section 1A.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

9 Stocks

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

10 Tangible Fixed Assets

Equipment and plant, including computers and software, are capitalised at cost and depreciated over its expected useful life of 5 years for fixtures, fittings and equipment and 3 years for computer equipment on a straight line basis.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

11 Cash and Cash Equivalents

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

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with significant risk of change in value.

12 Reserves

Reserves are classified as restricted or unrestricted. The College currently has no restricted reserves.

13 Significant estimates and Judgements

Tuition fee income for foundation and undergraduate students is credited to the Statement of Comprehensive Income once performance conditions have been met. In the College's judgement performance conditions are met for those students entitled to continue a course based on the course's terms and conditions to be when a student enrolls and as each course assignment is completed.

14 Financial Instruments

The financial assets and liabilities held qualify as basic financial instruments as described in Section 11 of FRS 102. Basic financial instruments, comprising trade debtors, cash and cash equivalents and trade payables, are initially recognised at transaction value and subsequently measured at their settlement value. Cash is held on deposit in Barclays Bank. Trade debtors and trade creditors consist of balances outstanding at the financial year end.

15 Transition to SORP: Accounting for Further and Higher Education 2015 (HE SORP)

The College has, for the first time, prepared its financial statements in accordance with the HE SORP having previously prepared the financial statements in accordance with the Charity SORP. There are no adjustments to the opening balances in the Balance Sheet as a result of this change. There has been no change in accounting policies, financial performance or cashflows as a result of the transition.

Notes to the accounts

1. Income

	2019	Restated 2018
	£	£
UK & EU Higher Education	1,580,219	1,307,826
Non-EU Higher Education	188,265	165,834
UK & EU Further Education	127,893	95,261
Non-EU Further Education	3,111	15,543
	<hr/>	<hr/>
Tuition fees and educational contracts	1,899,488	1,584,464
	<hr/> <hr/>	<hr/> <hr/>

2. Other operating income

	2019	2018
	£	£
Educational visits and Events	5,358	4,012
Sundry	12,525	12,700
	<hr/>	<hr/>
	17,883	16,712
	<hr/> <hr/>	<hr/> <hr/>

3. Staff costs

	2019	2018
	£	£
Staff Costs:		
Wages and salaries	776,395	687,078
Social security costs	70,292	59,581
Other pension costs	37,234	29,427
Contract termination payment	-	44,340
	<hr/>	<hr/>
	883,921	820,426
	<hr/> <hr/>	<hr/> <hr/>

Pension contributions are paid into the College's defined contribution group personal pension plan. The College set up a defined contribution pension scheme for employees with effect from 1 April 2016.

Average staff numbers:

	Number	Number
Number of employees	31	28
Full time equivalent	21	18

There were no higher paid staff in the year (2018: nil).

Notes to the accounts (Continued)

3. Staff costs (continued)

Emoluments of the Principal & Chief Executive	2019	2018
	£	£
W Woods from 29 September 2017		
Salary	86,445	74,259
Pension	4,322	2,833
G Dent to 29 September 2017		
Salary	-	13,619
Pension contributions	-	1,224
Contract termination payment	-	42,899
	90,767	134,824

The Principal's pension contributions are on the standard terms of the College's defined contribution group personal pension plan. No members of staff received employee benefits greater than £100,000.

The Principal and Chief Executive Officer took up office on 29 September 2017, the initial remuneration of £85,000 was increased in August 2018 by the nationally agreed cost of living pay award of 1.7% to the higher education sector. In determining the base salary when making the appointment, the Board of Trustees took advice from an external recruitment agency and benchmarked the role with senior management positions within the University for the Creative Arts (UCA), as parent company. At the time of appointment, the role was considered equivalent to that of an Executive Dean at UCA, where the salary band was between £83,913 and £100,000. The Principal's base salary was set within that band. OCA has also contributed 5% of base salary pa to a defined contribution pension scheme. The total remuneration awarded was determined considering the skills and experience that the successful candidate would bring to the post, as evidenced during the selection process.

The Principal's basic salary is 2.33 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by OCA to its staff.

The Principal's total remuneration is 2.36 times median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by OCA of its staff. It is not possible to reliably calculate the full-time equivalent value of tutor fees which are paid on a per student allocation basis or course commissioning fees, these have instead been included within total remuneration at actual values paid for the purposes of calculating median pay levels.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. The Principal & Chief Executive, Director of Learning & Teaching and Director of Curriculum & Quality all have this responsibility.

	2019	2018
	£	£
Key management personnel	149,816	135,145

Trustees

No Trustee has received/waived remuneration from the College during the year (2018: – none).

The total expenses paid to or on behalf of 4 Trustees for travelling and subsistence was £578 (2018: £776 to 4 Trustees). No other expenses were paid (2018: nil).

Notes to the accounts (Continued)

4. Analysis of expenditure by activity

	Staff costs		Other operating Costs		Total	
	2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£
Academic departments	309,149	234,641	582,146	602,900	891,295	837,541
Academic services	388,749	351,631	153,489	112,928	542,238	464,559
Administration and central services	186,023	234,154	239,947	149,334	425,970	383,488
Premises	-	-	81,572	60,498	81,572	60,498
	883,921	820,426	1,057,153	925,660	1,941,074	1,746,086
Depreciation	-	-	13,075	11,841	13,075	11,841
	883,921	820,426	1,070,228	937,501	1,954,149	1,757,927

5. Other Operating Costs

Other operating costs include:	2019	2018
	£	£
Equipment, furniture and computing costs	11,579	12,219
Audit fees (including VAT):		
Remuneration for external audit services	16,530	10,160

6. Tangible Assets

	Fixtures & Fittings	Computer Equipment	Total
	£	£	£
Cost			
At 1 August 2018	11,917	28,375	40,292
Additions at cost	5,705	8,394	14,099
Write offs	(3,939)	(9,594)	(13,533)
Disposals	-	-	-
At 31 July 2019	13,683	27,175	40,858
Depreciation			
At 1 August 2018	5,978	15,262	21,240
Charge for year	3,414	9,661	13,075
Write offs	(3,939)	(9,594)	(13,533)
Disposals	-	-	-
At 31 July 2019	5,453	15,329	20,782
Net book value at 31 July 2019	8,230	11,846	20,076
Net book value at 31 July 2018	5,939	13,113	19,052

Notes to the accounts (Continued)

7. Trade and other receivables

	2019 £	2018 £
Amounts falling due within one year:		
Trade receivables	403,114	322,396
Prepayments and accrued income	41,181	20,881
	<u>444,295</u>	<u>343,277</u>

8. Creditors: amounts falling due within one year

	2019 £	Restated 2018 £
Trade creditors	16,070	103,612
Amount owed to group undertakings	27,744	-
Other Tax Payable & Social Security	22,097	21,626
Accruals	180,084	154,798
Other creditors	4,577	-
Deferred income	684,043	685,036
	<u>934,615</u>	<u>965,072</u>

9. Lease Obligations

At 31 July 2019, the College had total future minimum lease payments in respect of property under non-cancellable operating leases payable as follows:

	2019 £	2018 £
Within one year	31,800	23,050
Between two and five years	13,250	23,800
More than five years	-	-
	<u>45,050</u>	<u>46,850</u>

10. Reconciliation of surplus to net cash flow from operating activities

	2019 £	Restated 2018 £
Surplus for the year	150,702	35,333
Adjustments for non-cash items		
Depreciation	13,075	11,841
(Increase)/decrease in stocks	(1,013)	212
Increase in debtors	(101,018)	(31,316)
Decrease in creditors	(30,457)	(38,723)
Total adjustments	<u>(119,413)</u>	<u>(57,986)</u>
Net cash flow from operating activities	<u>31,289</u>	<u>(22,653)</u>

Notes to the accounts (Continued)

11. Analysis of changes in net debt	At 31 July 2018	Net cash flows	At 31 July 2019
	£	£	£
Cash at bank and in hand	295,612	17,190	312,802

12. Related Party Transactions

The College has made enquires with the Trustees and senior staff and there are no Related Party Transactions to report, Trustee expenses are disclosed in note 3.

The College has taken advantage of the exemption offered by FRS 102 (section 33) in respect of transactions and balances between it and the University for the Creative Arts, as it is a wholly-owned subsidiary of the University for the Creative Arts, UCA Farnham, Falkner Road, Farnham, Surrey, GU9 7DS.

13. Carrying Amount of Financial Instruments

The carrying amounts of the financial assets and liabilities include:	2019	2018
	£	£
Assets measured at cost less impairment	715,916	618,007
Liabilities measured at cost less impairment	(70,488)	(125,239)

14. Transition to HE SORP

As explained in the accounting policies, these are the College's first financial statements prepared in accordance with the HE SORP. The accounting policies have been applied in preparing the financial statements for the year ended 31 July 2019, the comparative information presented in these financial statements for the year ended 31 July 2018 and in the preparation of an opening Balance Sheet at 1 August 2017. There are no changes to the opening Balance Sheet as a result of this transition.

15. Correction of prior period error

The method of calculating deferred income for foundation and undergraduate students has been corrected. Previously income was deferred over the average time a student takes to complete a course, however as there is no set time to complete a course, although there is a maximum time, this is not appropriate. Instead income is recognised as performance conditions are met, the performance measures are described within the accounting policy for income recognition.

Notes to the accounts (Continued)

	Previously stated 2018	Prior period adjustment for deferred income	Restated 2018
	£	£	£
Statement of Comprehensive income			
Tuition fees and education contracts	1,572,599	11,865	1,584,464
Total comprehensive income for the year	23,468	11,865	35,333
Balance Sheet			
Creditors: amounts falling due within one year - Deferred income	497,154	187,882	685,036
Unrestricted reserves	(114,656)	(187,882)	(302,538)
Statement of Changes in Reserves			
Balance at 1 August 2017	(138,124)	(199,747)	(337,871)
Surplus from the income and expenditure account	23,468	11,865	35,333
Balance as at 31 July 2018 (deficit)	(114,656)	(187,882)	(302,538)