

BOLTON COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016



BOLTON COLLEGE

Report and Financial Statements

Year Ended 31 July 2016

Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as members of the College's Executive Team and were represented by the following in 2015/16:

Marie Gilluley – Principal and Chief Executive
Mark Burgoyne – Vice Principal Curriculum
Lorraine Groch – Vice Principal Enterprise (until 2nd November 2016)
Tracy Kitchingman – Executive Director of Finance (until 11th September 2016)
Carl Hosker – Director of Estates
Jane Marsh – Director of Human Resources
Joanne Taylor – Director of Management Information Systems
Carmen Gonzalez-Eslava – Director of Adult Education
Joanne Green – Director of Quality
Sharon Marriot – Director of 16-19 Education
Pat Harrison – Director of 14-19 and Foundation Learning

Full details of the governing body are included at page 16 in the accounts.

Professional Advisers

Financial Statements Auditors and Reporting Accountants

Regularity Auditors:

Grant Thornton UK LLP

Chartered Accountants and Registered Auditor

4 Hardman Square

Spinningfields

Manchester

M3 3EB

Internal Auditors:

RSM Risk Assurance Services LLP (formerly Baker Tilly Risk Advisory Service
LLP)

9th Floor,

3 Hardman Street

Manchester

M3 3HF

Bankers:

National Westminster Bank
plc

Bolton Central Branch

24 Deansgate

Bolton

BL1 1BN

Barclays

3 Hardman Street

1st Floor

Spinningfields

Manchester

M3 3HF

Solicitors:

Mills & Reeves LLP

8th Floor

1 New York Street

Manchester

M1 4AD

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REPORT OF THE GOVERNING BODY

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2016.

Legal Status

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting Bolton College. The College is an exempt charity for the purposes of the Charities Act 2011.

Mission

The College's mission as approved by its members is:

- Bolton College will enable individuals, businesses and communities within Bolton and the region to realise their potential through Education and Training that is inclusive, inspiring, innovative and responsive to their needs.

Public Benefit

Bolton College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business Innovation and Skills as Principal Regulator for all FE Corporations in England – during the year this was changes to the Department for Education following changes in government departments. The members of the Governing Body, who are trustees for the charity, are disclosed on page 16.

In setting and reviewing the College's strategic objectives, the Governing Body has 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 College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

Implementation of the College's Strategic Framework

In the current rapidly changing environment, the Strategic Framework, key aims and operational objectives are regarded as a dynamic document to be further developed and amended as appropriate in order that it remains a relevant guide to strategy, development and operations within the College. Significant operational objectives for the College can be summarised as follows:-

- We will ensure high quality, inspirational teaching learning and assessment. We will maintain our performance in the top quartile for all colleges within the sector.
- We will Increase participation in learning and improve skills levels for young people and adults in Bolton by working in partnership to deliver the Bolton Skills Strategy.
- For young people, the key national priorities are for more to achieve a level 3 qualification by the age of 19, as well as recognised qualifications in maths and English. We will offer a variety of robust study programmes at all levels to each 16-18 year old studying on a full time programme and aim to improve English and maths skills for every 16-18 year old whilst on a Study Programme and to encourage and enable our learners to experience the world of work and enterprise opportunities.

REPORT OF THE GOVERNING BODY (continued)

Implementation of the College's Strategic Framework (continued)

- We will increase the range and number of apprenticeship opportunities for young people and become the provider of choice for young people and employers.
- We are committed to working with employers to increase the number of apprenticeships we deliver in college, and we have ended our relationships with sub-contractors where we have not been able to ensure the required level of quality.
- For adults, the priority to improve skills levels translates in Bolton into two main groups, firstly the need to improve basic skills ie maths, English and IT skills to improve employability and to move closer to the workplace and secondly, provision for adults to enhance their skills levels in order to improve their job prospects or to progress in their chosen career.
- We work with Bolton Council and partners to plan and successfully deliver high quality and efficient Community Learning (CL) for our Community.
- We aim to provide high quality, flexible, value for money Higher Education courses in response to identified market opportunities and to maintain success rates within the top tenth percentile
- Our estates strategy has been successfully pursued to make savings and ensure cost-effective operation. We have opened our new STEM Centre at Deane Road, adjacent to the main campus building. This has allowed us to centralise our skills related activities at the Deane Road campus and save the running costs at other locations. This signifies the completion of our strategy by rationalising all buildings to Deane Rd campus.
- The investment in Deane Road in a technology-rich, fully wi-fi connected environment is one of our key strengths and has a positive impact on learning and we will continue to augment learning through the utilisation of technology.
- Bolton College employs circa 550 staff, employed in a variety of roles across College. We aim to recruit the best qualified staff and to ensure they receive Continuous Professional Development to keep them fully up-to-date on educational issues.

Area Based Review

The College has been part of the Greater Manchester Area Review process which is seeking to rationalise colleges and ensure that they are financially robust going forward. As a result of this review the Governing Body of Bolton College has agreed to a merger with the University of Bolton – the Governing body of Bury College has similarly agreed a merger with the University of Bolton. The proposed merger would result in all the property, rights and liabilities of the College transferring to the University of Bolton – at the time of signing the account the legal structure of the new entity is still to be determined. Barclays Bank has advised that when this merger takes place it may be considered as an event of default under the terms of the loan and therefore the loan could become repayable on demand. However, as part of the proposed agreement to merge, the University of Bolton has agreed that it will take responsibility for the College's liabilities going forward which will include the loan.

Given the issues around the merger, Barclays Bank has agreed to waive the measurement of the loan covenants for the year ended 31st July 2016 and varied the loan documentation accordingly – this included deferral of the proposal for the bank to take a charge over the College's Deane Road building. This variation was initially made until 7th November 2016, the merger being planned for 1st October 2016. The Bank has extended this to 7th January 2017 whilst agreement to the legal structure of the new entity is reached between the Skills Funding Agency, the Department for Education and the entities which are planning to merge but will now be taking a charge as the extension of time expires. Given that there is no certainty on the merger the Bank has now asked for a charge to be put in place against the College's Deane Road building.

REPORT OF THE GOVERNING BODY (continued)

Area Based Review (continued)

The merger will also potentially trigger a break clause in the fixed term interest rate arrangement that the College has in place in respect of £10m of the loan with Barclays Bank. These break costs are estimated to be £3m, none of which is provided for in the attached accounts. As part of the Area Review process the government has made a "Restructuring Fund" available and the colleges and University of Bolton are in the process of drawing together a bid before the deadline of 20th December 2016 (6 months after the decision to merge is taken). This bid will include a request for funds to cover these breakage costs. As the bid is due for submission after the date of these accounts any resultant funding cannot be accounted for in the accounts as presented.

Since the end of the financial year there have been some changes in governors which move Bolton College, Bury College and the University of Bolton towards the goal of eventual merger. Eight new governors were appointed to Bolton College by the Board at its meeting on 28th September 2016 as follows:

From the University of Bolton

The Right Reverend Nigel McCulloch – Chair of the University Board
Professor His Honour William Morris Deputy Chair of the University Board
Professor George E Holmes – Vice Chancellor
Professor M Jennifer Leeming – Independent Board Member
Mr Tony Unsworth – Assistant Vice Chancellor (Resources)

From Bury College

Mr Peter Nichol – Chair of the Corporation Board
Christopher Tress
Mark Granby

Similarly at meetings in September 2016 three governors from Bolton College, Mr Andrew Roberts, Mr Andrew Fawcett and Ms Kate Hall, were appointed to the governing bodies of Bury College and the University of Bolton. The existing separate entities therefore now have a common core of governors able to give oversight for the proposed merged organisation whilst retaining independence for the majority of original governors. The College's Instruments and Articles were amended to enable this increase in the size of the governing body to take place. This clearly signals the direction in which the entities wish to progress.

Whilst there are still some uncertainties around the legal structure that will result from the merger, as indicated by the recent changes in governors, the College is committed to working more closely with Bolton University and Bury College.

College Performance

The Corporation monitors College performance throughout the year against targets and plans, which are reviewed and updated each year.

The achievements against these objectives are as follows:-

Learner Numbers and Funding (Further Education) 2015/16

The College received Education Funding Agency (EFA) funding for young people (16-18) at £10,032,340. This was reflected in student volumes of 2,134 against a target of 2,275 (although student volumes are slightly below target, the achievement of the funding target is due to an improvement in banding profiles).

The Adult Classroom based provision achieved the funding target of £2,997,199. This was due primarily to achievement of Additional learning support and the ESOL provision.

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REPORT OF THE GOVERNING BODY (Continued)

Learner Numbers and Funding (Further Education) 2015/16 (continued)

Table information as at 28th October 2016

Age Group	Target	Actual	Difference	Percentage of target
16-18 Learners	2,275	2,134	-141	94%
19+ Classbased Funding (incl. Traineeships; ESOL Mandated and ALS)	£3,809,778	£3,551,207	£-258,571	93%
24+ loans	£728,953	£732,794	£3,841	101%

Although the College did not achieve its 24+ Loan allocation, it did meet its target and therefore performed extremely well in an area of income in which growth for the future will be possible.

Work Based Learning (WBL) Success Rates

Success rates are key performance indicators that are monitored by the Skills Funding Agency (SFA). In recognition of the poor success rate achievement for 2013/14 of 41% (largely due to poor quality subcontracted provision), the success rate target for 2014/15 was set at 73%. However, the actual overall success rate of the College for 2014/15 was 76%, some 35% ahead of the 2013/14 success rate. The College has continued to improve its success rates, now at 75% with the timely success being 66% - this moves the College towards an outstanding classification for this area of delivery.

Area	2014/15 Target	2014/15 Outturn	2015/16 Target	2015/16 Outturn	2015/16 Target (timely)	2015/16 Outturn (timely)
Apprenticeship Framework	73%	76%	76%	75%	66%	66%

The College achieved funding of £1,144,481 for 16-18 year old apprenticeships after an in year increase as a result of an application for growth.

Financial Objectives

The College Corporation has a key financial objective of "ensuring that the College generates cash from income and expenditure surpluses sufficient to cover its long term borrowing servicing costs and ensure that the financial covenants specified in the facility letters are not broken."

In addition, the other financial objectives reviewed and approved by the Corporation in July 2015 fully support this key objective. The performance against these objectives has been creditable during 2015/16, the outturns being:-

- a positive cash flow from operations of £736k - achieved £1,237k;
- cash days in hand of 16.28 – achieved 54.42;
- a current ratio of 1.08:1 – achieved 0.86:1;
- an operating surplus, taxation, past service cost gain and FRS102 adjustment of £227k – achieved £228k surplus; (SFA underlying operating position)

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016

REPORT OF THE GOVERNING BODY (continued)

Financial Objectives (continued)

A series of financial performance indicators, agreed as being appropriate to enable the successful implementation of the policies and achievement of the primary objective, are monitored regularly by the College Corporation.

Performance Indicators

All College teaching staff have maintained a continuing professional development portfolio. 96% hold teaching qualifications and 32% are qualified to post graduate level.

The College was last inspected in March 2015 and was assessed as Requiring Improvement. The main grades for the College are as follows:

- Outcomes for learners Grade 3
- Quality of Teaching, Learning & Assessment Grade 2
- Effectiveness of Leadership and management Grade 3

The College has a robust post inspection action plan in place which is being monitored by Ofsted as part of the Support and Challenge process. The College has produced a self-assessment report for 2015/16 which shows the following improved grade profile recently endorsed by the Governors Standards Committee:

ASPECT	GRADE
Overall Effectiveness	2
Effectiveness of leadership and management	2
Quality of teaching, learning and assessment	2
Personal development, behaviour and welfare	2
Outcomes for learners	2

Framework for Excellence

FE Choices (formerly the "Framework for Excellence") has four key performance indicators:

- Success rates
- Learner destinations
- Satisfaction survey (formerly "learner views")
- Satisfaction survey (formerly "employer views")

The College is committed to observing the importance of sector measures and indicators and use the FE choices website which looks at the measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of Good is considered an acceptable outcome.

FINANCIAL POSITION

Financial results

The College has achieved a satisfactory financial result for the year under difficult circumstances and continues to concentrate its resources on academic quality issues to ensure that the expected return of Ofsted will result in a movement to "Good".

Income has decreased compared to 2014/15 partly due to the release of the onerous lease provision release in 2015 although core income from the funding agencies has remained largely level overall. The College continues to rely significantly on the funding agencies for its principal funding source, largely from recurrent grants and in 2015/16, the funding bodies (EFA and SFA) provided 74.96% of the College's total income (2014/15 68.59%).

REPORT OF THE GOVERNING BODY (continued)

Financial Results (continued)

The College generated an operating deficit in the year of £45k (2014/15 surplus of £794k) but importantly generated a net inflow of cash from its operating activities of £1,237k (2014/15 £2,306k) thus maintaining its cash at the end of the year at around £3.5m despite the significant loan repayments in the year. The College has a long term loan facility with Barclays Bank of £12.7m to finance the Deane Road campus building of which £11.0 is outstanding at the year end. The Loan Facilities Agreement includes financial covenants with which the College has to comply.

In line with the rest of the Further Education sector, the College has adopted Financial Reporting Standard 102 in the preparation of its accounts and restated the previous year for consistency. The College has adopted the accruals method for the reporting of capital grants as a result of which the capital grants now form part of current and long term liabilities. Bolton College had a significant building project which was completed in 2010 and associated capital grant of which £46m is still being amortised over the life of the building – the College released £2.8 of the grant relating to land to brought forward reserves in line with the new standard.

Treasury Policies and Objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and complies with the requirements of the Financial Memorandum.

Taxation

The College is not liable for any Corporation Tax arising from its activities during the year.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Learner numbers

In 2015/16, the College delivered courses to 2,275 16-18 year old students and therefore achieved its income target. It also achieved its income for adult learners and therefore had a successful year. The College continues to deliver successfully to learners with high needs learning difficulties and disabilities, the College supported 145 over the year.

The new funding methodology has been fully embraced and embedded in the courses offered by the College with a much greater emphasis on full-time study programmes which include English and maths.

Adults

Adult funding has reduced for a number of years as a result of government policy and with the expected devolution of this funding to Greater Manchester there is uncertainty over how this will develop going forward. A great deal of emphasis is now placed on income generating provision and full-cost courses which will continue going forward. The College will continue to appraise projects and submit bids to funding agencies that support developmental opportunities for working with adults within the College community.

Curriculum Developments

Bolton College has introduced new courses in many areas of the curriculum in order to better meet learner needs. This includes creating and maintaining a line of sight from first step programmes through to Higher Education.

REPORT OF THE GOVERNING BODY (continued)

Curriculum Developments (continued)

Many of the College's learners have low levels of prior educational achievement and the College is increasing the range of courses aimed at learners who are returning to education. These include entry level 3, foundation learning and basic skills programmes.

The addition of new vocational foundation level options is a major component in addressing the local not-in-education, employment or training (NEETs) agenda and ensuring that young people are able to prepare themselves for the next stage in their lives.

Because the College responds to the needs of Bolton learners, the College curriculum is weighted towards foundation learning and Level 1 programmes as other post-16 providers in the town focus largely on Level 3 with some Level 2. However, additional curriculum gaps will be identified, developed and delivered in areas of key priorities identified through key economic analysis of Greater Manchester, Bolton and the community. Developments include an emphasis on STEM subject and level 3/4 programmes, consistent with the new STEM Centre strategy and building.

Other courses and initiatives prepare learners for University. These include:

- Increased offer for GCSE in Maths and English;
- Significant HE Access courses for adults;
- Development of Level 4 courses including HNCs and degrees where they clearly fit the needs of our learners and Industry.

With regard to the delivery of Bolton Authority Community Learning, the College has worked with the Council to ensure that, increasingly, courses prepare our most vulnerable learners and citizens for their first or next step towards employment.

In 2015/16 the College undertook a further review of the curriculum offer in order to meet local and regional needs whilst maintaining strides to increase priority provision across all provision.

Staff and Learner Involvement

The College believes good communication with staff and learners to be of the utmost importance and continues to further develop to ensure an effective communication strategy.

The Principal holds termly all staff meetings which have a strategic focus and overview of College performance in addition to covering general College business. The College Management Team (CMT) continues to meet on a regular basis. The Principal meets all teams annually and offers informal 'Ask the Principal' sessions. The College has an embedded electronic form of communication, i.e. the 'weekly stop press' bulletins. These are bulletins aimed at staff and are a vital way of ensuring that all staff have access to the same information and are aware of key College information / notices etc.

The 'stop press' newsletter has a focus on learner based news items which are designed to enhance their experience at College and how we communicate with our learners.

Members of the Senior Management Team meet formally on a termly basis with the recognised trade unions. In addition, staff are able to elect two staff Governors. There is also a regular learner newsletter, learner representatives are members of the College Corporation, and a learner forum supported by a sub-forum for each curriculum area. 'Learner Voice' actions are fed back regularly via 'You said - we did' information. Each year learners are invited to give feedback to the College through enrolment, induction and learner satisfaction surveys.

The College's Ofsted Report (March 2015) includes a number of comments that relate to the well embedded and effective approach to engaging learners in their learning and in college life in general including:

'Tutors, mentors and assessors know their learners well, and use this knowledge effectively to monitor and evaluate their progress and to set targets for future development.'

REPORT OF THE GOVERNING BODY (continued)

Staff and Learner Involvement (continued)

'Managers, tutors, support workers, service staff and learners show high levels of respect, sensitivity and tolerance. Learners feel highly valued as individuals and enjoy working together in a college that actively promotes integration and celebrates diversity.'

Future developments

The campus at Deane Road is now fully complete with the recent opening of the STEM Centre adjacent to the original building. This has allowed for expansion of the technical curriculum and increased numbers of learners at Level 3. The availability of capital funding is a requirement for the College to develop further although the Area Review means that a wider review of the resources available to the merged entity would be appropriate.

The College continues to improve efficiency wherever possible, and the College plans where possible to reduce dependency on the Skills Funding Agency and has pursued ESF funded project delivery, growth in apprenticeship provision for young people as well as commercial (full-cost) provision.

RESOURCES

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

People

The College employs 442 people (expressed as full time equivalents) at 31 July 2016. Of this number 178 FTE are teaching staff. A staffing agency is used to supply staff for curriculum delivery where demand does not justify the employment of a permanent full time or fractional member of staff.

Reputation

The College has a good reputation locally and nationally. This is essential for the College's success at attracting learners and employers. The Principal and Senior Management Team actively pursue external relationships which have strategic relevance. The Principal is strategic lead for the Bolton Skills Strategy and has been Chair of the Greater Manchester Colleges' Group.

Financial

The College has in the past invested in its buildings and therefore has £59m of fixed assets. The College has adopted FRS102 for the first time as a result of which £42m capital grants is now included as a liability on the College's balance sheet. This has impacted the net asset position but does not fundamentally change the financial resources of the College.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Senior Management Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. 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 Senior Management Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

The College's Senior Management Team review risk at every meeting thereof, identifying any new risks.

A risk register is maintained at College level. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

REPORT OF THE GOVERNING BODY (continued)

PRINCIPAL RISK AND UNCERTAINTIES (Continued)

The College's Risk Register and Risk Management Action Plan, identifies sub groups and College committees responsible for maintaining, monitoring and controlling each risk. Each year, all such groups or committees review and reassess their relevant risks, which informs the report to the College's Audit Committee.

The principal risk factor that may affect the College relates to Government funding as the College has considerable reliance on continued government funding through funding agencies and this obviously has an effect on the ability of the College to manage to meet its loan covenants. In 2015/16, 75% of the College's revenue was ultimately public funded. As there can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms, the College mitigates the risk of funding reductions by ensuring high quality provision, working with partner providers directly or indirectly, ensuring appropriate focus and investment is placed on maintaining and managing key relationships with the various funding bodies, focusing on priority sectors which will continue to benefit from public funding and regular dialogue with the funding organisations. In addition, the College is pursuing more commercial and full cost activity to increase income.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Bolton College has many stakeholders. These include:

- learners;
- Education sector funding bodies;
- FE Commissioner
- staff;
- Schools and parents;
- local and regional employers and employer organisations;
- Bolton Council;
- GM LEP;
- Bolton Sixth Form College, the University of Bolton and regional HEI's;
- the local community and voluntary sector organisations;
- trade unions; and
- professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through active involvement in key fora and events, through meetings and through the College website.

Equal opportunities and employment of disabled persons

Bolton College is committed to the development and promotion of equality of opportunity and celebrating diversity. The College will work proactively to ensure that no individual experiences discrimination on the grounds of age, disability, gender reassignment, marriage & civil partnership, pregnancy & maternity, race, religion & belief, sex, sexual orientation, support needs or health.

The College strives vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Single Equality Scheme and action plan are published on the College's Internet and College website.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the positive about disabled standard. The College considers all applications 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 College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. A single equality action plan is published each year and monitored by members of the Equality and Diversity Committee, managers and governors.

REPORT OF THE GOVERNING BODY (continued)

Disability Statement

The College seeks to achieve the objectives set down in the Equality Act, and the College has had to ensure it has met its obligations to make reasonable adjustments to goods and services for current or potential learners with disabilities:-

- *The College's main campus is fully compliant with equality legislation with specific regards to access requirement. This has included a full DDA access audit from a qualified access consultant using Part M of the Building Regulations and BS8300 as the design standard. Disabled Go have also undertaken a survey to record the facilities the building offers which are published via their website in which the College subscribes to.*
- *the College's Head of Learner Support, provides information, advice and arranges support where necessary for learners with disabilities;*
- *there is a range of specialist equipment, such as portable loops and Touch Typing Reading and Spelling (TTRS), which the College can make available for use by learners;*
- *the College has enhanced the size of the staff team who support learners with disabilities as to continue to develop the range and scope of support the College can offer;*
- *the staff corporate induction and wider staff development programme is in place which outlines the College's continuing commitment to current equalities legislation;*
- *there is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities;*
- *specialist courses are available to meet a variety of learners' needs; there is a large team of specialist support tutors, signers and classroom assistants who ensure learners with disabilities or difficulties are not treated less favourably than a non-disabled learner;*
- *counselling and welfare services are described in the College Charter, which is issued to learners together with the Complaints and Disciplinary Procedure leaflets at induction;*
- *the College is assessed on an annual basis by Job Centre Plus to ensure that it is committed to being "positive about disabled people" and as such is entitled to use the "two tick" symbol;*
- *the Director of HR, working with the HR team and College managers provides advice and support to staff who become disabled through working closely with organisations such as Access to Work and the RNIB;*
- *the College undertakes and publishes equality impact assessments and has invested in an effective on-line toolkit to assist with this process;*
- *the College has developed a Single Equality Scheme. The Scheme describes in a single document how the College will fulfil its statutory duties to promote and foster equality of opportunity and avoid discrimination, demonstrate its commitment to placing the promotion and fostering of equality and diversity at the centre of every aspect of the College's work;*
- *the College was noted to be a "welcoming place in which to study and work, Leaders have embedded equality of opportunity extremely well throughout the College community, staff and learners reflect well the diverse cultural heritage of the local community" (Ofsted March 2015; and)*
- *The College is working in partnership with the national Centre for Diversity in support of further developing its inclusion agenda.*

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REPORT OF THE GOVERNING BODY (continued)

Disclosure of information to auditors

The governors 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 College's auditors are unaware, and each governor 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 College's auditors are aware of that information.

Approved by order of the members of the Corporation on 14th December 2016 and signed on its behalf by:



Mr. A Roberts

Chair of the Corporation

BOLTON COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2015 to 31st July 2016 and up to the date of the approval of the report and financial statements.

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2016. The Governing body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good for Governance English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in July 2015 and the Accountability annex to the foundation code that was issued in March 2013 and adopted by the College in July 2014.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The governors, who are also the Trustees for the purposes of the charities Act 2011, can confirm that they have had due regard for the charity commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

BOLTON COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below and on Page 6 of the Report of the Governing Body:

Member	Date Appointed	Term of Office	Date Resigned	Status of Appointment	Committees Served	Corporation Attendance %
Mr D. Buckle (Chair from 18/03/15 to 11/05/16)	26/03/10 26/03/14	4 yrs	12/05/16	Member	Finance & GP, Search & Governance Remuneration	80%
Ms S. Bain	28/03/07 26/03/11 28/03/15	4 yrs		Member	Standards	100%
Mr N. Buckley	22/06/16	4 yrs		Staff Member		100
Mrs G. Crawford	25/09/13	4 yrs	24/11/15	Member	Audit	100%
Mr A. Fawcett (Vice Chair to from 22/06/16 to 31/08/17)	09/07/15	4 yrs			Audit	86
Ms. M. Gilluley	01/05/11			Principal/Chief Executive	All except Audit	100%
MS K. Grigsby	07/12/15	4 yrs	21/06/16	Staff Member		100%
Mrs K. Hall	18/03/15	4yrs		Member	Finance & GP	86%
Mrs M. Kellett	12/12/13	4yrs		Staff Member	Employment	86%
Ms C. Lomax	18/03/15	4yrs	09/03/16	Member	Employment	100%
Ms S. Nixon	01/09/07 01/09/11 01/09/15	4yrs		Member	Audit Employment	71%
Mr R. Peet	08/07/09 08/07/13	4yrs		Member	Search & Governance	71%
Mr A. Roberts (Vice Chair from 18/03/15 and Chair from 11/05/16 to 31/08/17)	15/07/11 15/07/15	4yrs		Member	Finance & GP, Search & Governance Remuneration	100%
Mrs B. Ronson	29/09/04 19/07/08 19/07/12 16/03/16	2yrs		Member	Audit,, Standards, Remuneration	57%
Mrs J. Smith	26/03/10 26/03/14	4yrs	22/11/15	Member	Standards,	100%
Mr P. Syddall	10/12/08 10/12/12	4yrs	29/09/15	Member	Finance & GP	100%
Cllr L.Thomas	14/06/00 19/06/04 19/07/08 19/07/12	4yrs	18/07/16	Member	Remuneration committee	0%
Mrs M. Thompson	03/07/13	4yrs		Member	Standards	100%
Mr D. Valji	07/12/09 07/12/12	4yrs		Member	Audit	71%
Mr P. Ryan is the Clerk to the Corporation.						

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The Corporation (continued)

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 normally meets four times per year.

The Corporation conducts its business through a number of Committees. Each committee has terms of reference, which have been approved by the Corporation. The Corporation undertook a formal review of its Governance arrangements in 2015 and adopted a Carver model from the summer term 2016. This included additional Corporation meetings supported by the Audit, Search & Governance, and Remuneration committees. Accordingly, from September to March there were the following 6 committees: Standards, Finance & General Purposes, Audit, Employment, Search & Governance, and Remuneration. With effect from April 2016, a revised Corporation and committee structure, together with planned business items was agreed for the period April 2016 to July 2017. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Bolton College,
Deane Road Campus,
Deane Road
Bolton,
Lancashire,
BL3 5BG.

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

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal 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 & Governance Committee comprising the Chair, the Principal and two other Governors, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Corporation Performance

There is an annual schedule of meetings during the year and all meetings were quorate. The annual schedule of meetings covers all statutory requirements. An annual skill audit seeks to maintain the balance of skills, experience and expertise of Governors and Governors make an annual declaration of the eligibility to serve as governors and complete an annual register of interest. There is a standing item on all agendas

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Corporation Performance (continued)

covering declarations of interest. Progress on implementation of actions from each meeting is reported and monitored at subsequent meetings.

Remuneration Committee

Throughout the year ended 31 July 2016, the College's Remuneration Committee comprised the Chair, the Vice Chair and two other members. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Principal, other senior postholders and the Clerk.

Details of remuneration for the year ended 31 July 2016 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Chair, the Principal and members of Finance & General Purposes Committee). The Committee operates in accordance with written terms of reference approved by the Corporation and based on the Joint Audit Code of Practice.

The Audit Committee meets 3 times per year and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

Internal Control

Scope of responsibility

The Corporation is ultimately responsible for the College'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 Principal, as Accounting Officer for maintaining a sound system of internal control that supports the achievement of the College'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 College and the Skills Funding Agency. 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,

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The purpose of the system of internal control (continued)

effectively and economically. The system of internal control has been in place in Bolton College for the year ended 31 July 2016 and up to the date of approval of the annual reports and accounts.

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 the 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 ended 31 July 2016 and up to the date of approval of the annual reports and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative 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 College employs internal audit service providers, which operate in accordance with the EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College 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 Committee. At minimum annually, the internal audit service providers supply the Corporation with a report on internal audit activity in the College. The report includes their independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal'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 College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors and the regularity auditors in their management letters and other reports.

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Review of effectiveness (continued)

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 Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit 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 Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2016 meeting the Corporation carried out the annual assessment for the year ended 31 July 2016

by considering documentation from the senior management team and internal audit, taking account of events since 31 July 2015.

Based on the advice of the Audit Committee and the Principal, 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".

Going Concern

The College currently has a long term loan outstanding of £11.3m with bankers on terms negotiated in 2009. The terms of the existing agreement are for up to another 20 years.

The College primarily meets its day to day working capital requirements through grant funding receivable from the SFA and EFA, along with long-term debt from Barclays Bank plc. The College currently has a long term loan outstanding of £11.3m with bankers on terms negotiated in 2009. The terms of the existing agreement are for up to 19 years for repayment. As set out in note 19 to the financial statements, the College breached one of its covenant requirements as at 31 July 2014 and therefore a process for renegotiation commenced. At its March 2016 Board meeting the Bolton College Board agreed that Barclays Bank could put in place a charge over the College's Deane Road building and therefore the bank agreed to waive the measurement of the financial covenants attaching to the loan for the year ended 31st July 2016.

In the summer of 2015 the Skills Funding Agency had announced that there would be an Area Review of all the colleges in Greater Manchester - Bolton College was fully engaged in this process. The final report from the Greater Manchester Area Review was published by the Department of Education in November 2016. Included within the recommendations from this review was a proposal for the College to merge with the University of Bolton. At its meeting in April 2016 the Board of Bolton College had confirmed its support for this proposal - in conjunction with this Barclays Bank agreed to defer putting the charge in place against the loan pending the transfer of the College's assets and liabilities to the University of Bolton in the progression of the Area Review outcome. The College has concluded both due diligence and consultation for the merger to progress but the legal structure by which the merger would be affected has not been agreed, but could lead to the dissolution of the College Corporation.

The factors outlined above represent a material uncertainty that casts significant doubt upon the College's ability to continuing as a going concern. Nevertheless after making enquiries, and considering the uncertainties described above, the members of the Corporation have a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12-months from the date of approval of these financial statements. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

In reaching this conclusion, the members of the Corporation have considered their decision to merge with the University of Bolton. Whilst the legal structure by which the merger would be affected has not been agreed, the Corporation is not able to trigger the dissolution of the Corporation, as such there is not considered to be an intention to dissolve the Corporation, which would render the going concern basis of preparation inappropriate. Should the proposed legal structure of the merged institution require the dissolution of the

BOLTON COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Going concern (continued)

Corporation, it would be expected that all trade, assets and liabilities of the College would transfer to the new body.

The merger will also potentially trigger a break clause in the fixed term interest rate arrangement that the College has in place in respect of £10m of the loan with Barclays Bank. These break costs are estimated to be £3m none of which is provided for in the attached accounts. As part of the Area Review process the government has made a "Restructuring Fund" available and the colleges and University of Bolton will be making a bid to this fund to cover these breakage costs.

Since the end of the financial year there have been some changes in governors which move Bolton College, Bury College and the University of Bolton towards the goal of eventual merger. Eight new governors were appointed to Bolton College by the Board at its meeting on 28th September 2016 as follows:

From the University of Bolton

The Right Reverend Nigel McCulloch – Chair of the University Board
Professor His Honour William Morris Deputy Chair of the University Board
Professor George E Holmes – Vice Chancellor
Professor M Jennifer Leeming – Independent Board Member
Mr Tony Unsworth – Assistant Vice Chancellor (Resources)

From Bury College

Mr Peter Nichol – Chair of the Corporation Board
Christopher Tress
Mark Granby

Similarly three governors from Bolton College, Mr Andrew Roberts, Mr Andrew Fawcett and Ms Kate Hall, were appointed to the governing bodies of Bury College and the University of Bolton. The existing separate entities therefore now have a common core of governors able to give oversight for the proposed future merged organisation whilst retaining independence for the majority of original governors. The College's Instruments and Articles were amended to enable this increase in the size of the governing body to take place. This clearly signals the direction in which the entities wish to progress.

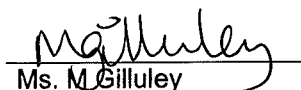
Whilst there are still some uncertainties around the legal structure that will result from the merger, as indicated by the recent changes in governors, the College is committed to working more closely with Bury College and the University of Bolton and as such will continue to operate as part of the merged entity, albeit in a different legal form. Therefore the Corporation considers that the College has adequate resources to continue in operational existence until such time as the merger takes place after which the University of Bolton will take responsibility for the outstanding loan and all other property, rights and liabilities. For this reason, it continues to adopt the going concern basis in the preparation of its Financial Statements.

Approved by order of the members of the Corporation on 14th December 2016 and signed on its behalf by:



Mr A Roberts

Chair of the Corporation



Ms. M Gilluley

Accounting Officer

**BOLTON COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016**

**BOLTON COLLEGE
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 after due enquiry, and to the best of its knowledge, we are to identify any material irregularity 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.



Mr A Roberts

Chair of the Corporation

14 December 2016



Ms. M Gilluley

Accounting Officer

14 December 2016

BOLTON COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016

BOLTON COLLEGE
STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the *College Accounts Direction for 2015-16 financial statements* issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the results 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 college will continue in operation.

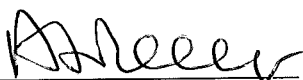
The Corporation is also required to prepare a Report of the Governing Body which describes what it is seeking to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College and to 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 College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; 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 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 funding bodies 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 College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the funding bodies are not put at risk.

Approved by order of the members of the Corporation on 14th December 2016 and signed on its behalf by:



Mr A Roberts
Chair of the Corporation

BOLTON COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016

Independent auditor's report to the Corporation of Bolton College

We have audited the financial statements of Bolton College for the year ended 31 July 2016 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the College's 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 College's Corporation those matters we are required to state to it 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 Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporation and auditor

As explained more fully in the Statement Responsibilities of the Corporation set out on page 23, the College's 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 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2016 and of the College's deficit for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

Emphasis of matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the College's ability to continue as a going concern. As recommended by the Greater Manchester Area Review, the College's Corporation has agreed to pursue a merger with University of Bolton, which may result in the dissolution of the College Corporation. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the College's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the College was unable to continue as a going concern.

BOLTON COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016

Independent auditor's report to the Corporation of Bolton College (continued)

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 by the Skills Funding Agency and Education Funding Agency requires us to report to you if, in our opinion:

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

Date: *20 December 2016*

BOLTON COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016

Reporting accountant's assurance report on regularity

To the Corporation of Bolton College and Secretary of State for Education acting through Skills Funding Agency

In accordance with the terms of our engagement letter dated 8 November 2016 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 Bolton College during the period 1 August 2015 to 31 July 2016 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 June 2016. In accordance 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 Bolton College, as a body, and the Skills Funding Agency, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Bolton College and Skills Funding Agency those matters we are required to state in a limited assurance 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 Bolton College as a body, and Skills Funding Agency as a body, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Bolton College and the reporting accountant

The corporation of Bolton College is responsible, under the requirements of the Further and 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 as imposed by the law, professional standards 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 2015 to 31 July 2016 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.

BOLTON COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016

Reporting accountant's assurance report on regularity (continued)

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

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 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Manchester

Date: 20 December 2016

Bolton College
Statement of Comprehensive Income

	Notes	Year ended 31 July 2016	Year ended 31 July 2015
		£'000	£'000
INCOME			
Funding body grants	2	20,553	21,223
Tuition fees and education contracts	3	3,568	3,308
Other grants and contracts	4	4	7
Other income	5	660	764
Exceptional Onerous Lease Provision Release	5	-	834
Endowment and investment income	6	21	32
Donations and Endowments	7	-	-
Total income		24,806	26,168
EXPENDITURE			
Staff costs	8	16,504	16,348
Restructuring costs	8	50	-
Other operating expenses	9	4,631	5,191
Depreciation	12	2,345	2,605
Interest and other finance costs	10	1,321	1,230
Total expenditure		24,851	25,374
(Deficit)/surplus before other gains and losses		(45)	794
Loss on disposal of assets		(10)	(194)
(Deficit)/surplus before tax		(55)	600
Taxation	11	-	-
(Deficit)/surplus for the year		(55)	600
Unrealised surplus on revaluation of assets		-	-
Actuarial loss in respect of pensions schemes	25	(1,691)	(1,408)
Total Comprehensive Income for the year		(1,746)	(808)

Bolton College
Statement of Changes in Reserves

	Income and Expenditure account
	£'000
Balance at 1st August 2014	(6,881)
Surplus/(deficit) from the income and expenditure account	600
Other comprehensive income	(1,408)
	<hr/> (808)
	<hr/>
Balance at 31st July 2015	(7,689)
(Deficit) from the income and expenditure account	(55)
Other comprehensive income	(1,691)
	<hr/> (1,746)
Total comprehensive income for the year	<hr/> (1,746)
Balance at 31st July 2016	<u><u>(9,435)</u></u>

Bolton College
Balance sheet as at 31 July

	Notes	2016 £'000	2015 £'000
Fixed assets			
Tangible fixed assets	12	59,006	61,054
Investments	13	-	-
		<u>59,006</u>	<u>61,054</u>
Current assets			
Stocks		25	29
Trade and other receivables	14	870	710
Investments	15	1	1
Cash and cash equivalents	20	3,468	3,509
		<u>4,364</u>	<u>4,249</u>
Less: Creditors – amounts falling due within one year	16	(5,067)	(5,776)
Net current liabilities		<u>(703)</u>	<u>(1,527)</u>
Total assets less current liabilities		58,303	59,527
Less: Creditors – amounts falling due after more than one year	17	(50,608)	(52,442)
Provisions			
Defined benefit obligations	25	(13,721)	(11,392)
Other provisions	19	(3,399)	(3,373)
Total net liabilities		<u>(9,425)</u>	<u>(7,680)</u>
Unrestricted reserves			
Income and expenditure account		(9,435)	(7,689)
Restricted Reserve			
Trust fund reserve		10	9
		<u>(9,425)</u>	<u>(7,680)</u>

The financial statements on pages 28 to 56 were approved and authorised for issue by the Corporation on 14th December 2016 and were signed on its behalf on that date by:



Mr A Roberts
Chair of the Corporation



Ms Marie Gilluley
Accounting Officer
Principal and Chief Executive

Bolton College
Statement of Cash Flows

	Notes	2016 £'000	2015 £'000
Cash inflow from operating activities			
(Deficit)/Surplus for the year		(55)	600
Adjustment for non cash items			
Depreciation		2,346	2,605
Decrease/(Increase) in stocks		3	(2)
(Increase)/decrease in debtors		(161)	162
Increase/(decrease) in creditors due within one year		(743)	1,449
Increase/(decrease) in creditors due after one year		(1,473)	(1,970)
Increase/(decrease) in provisions		26	(1,900)
Pensions costs less contributions payable		638	519
Adjustment for investing or financing activities			
Investment income		(21)	(32)
Interest payable		667	681
Loss on sale of fixed assets		10	194
		<u>1,237</u>	<u>2,306</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Proceeds from sale of fixed assets		6	13
Disposal of non-current asset investments		-	-
Investment income		21	32
Withdrawal of deposits		-	-
New deposits		-	-
Payments made to acquire fixed assets		(313)	(988)
Capital Grant Received		-	179
		<u>(286)</u>	<u>(764)</u>
Cash flows from financing activities			
Interest paid		(667)	(682)
Interest element of finance lease rental payments		-	-
New unsecured loans		-	-
Repayments of amounts borrowed		(325)	(309)
Capital element of finance lease rental payments		-	(97)
		<u>(992)</u>	<u>(1,088)</u>
(Decrease)/Increase in cash and cash equivalents in the year		<u>(41)</u>	<u>454</u>
Cash and cash equivalents at beginning of the year	20	3,509	3,055
Cash and cash equivalents at end of the year	20	3,468	3,509

1. Accounting Policies**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.

Legal Status

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting Bolton College. The College is an exempt charity for the purposes of the Charities Act 2011. Its principal purpose is to provide education and skills.

Basis of preparation

These financial statements have been prepared in accordance with *the Statement of Recommended Practice: Accounting in Further and Higher Education 2015* (the 2015 FE HE SORP), *the Accounts Direction for the 2015 to 2016 financial statements* and in accordance with Financial Reporting Standard 102 "*The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland*" (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

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

The financial statements are prepared in £ sterling.

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The Board has also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 28.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. In previous periods there were separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Going concern

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

1. Accounting Policies (continued)**Going concern (continued)**

The College primarily meets its day to day working capital requirements through grant funding receivable from the SFA and EFA, along with long-term debt from Barclays Bank plc. The College currently has a long term loan outstanding of £11.3m with bankers on terms negotiated in 2009. The terms of the existing agreement are for up to 19 years for repayment. As set out in note 18 to the financial statements, the College breached one of its covenant requirements as at 31 July 2014 and therefore a process for renegotiation commenced. At its March 2016 Board meeting the Bolton College Board agreed that Barclays Bank could put in place a charge over the College's Deane Road building and therefore the bank agreed to waive the measurement of the financial covenants attaching to the loan for the year ended 31st July 2016.

In the summer of 2015 the Skills Funding Agency had announced that there would be an Area Review of all the colleges in Greater Manchester - Bolton College was fully engaged in this process. The final report from the Greater Manchester Area Review was published by the Department of Education in November 2016. Included within the recommendations from this review was a proposal for the College to merge with the University of Bolton. At its meeting in April 2016 the Board of Bolton College had confirmed its support for this proposal - in conjunction with this Barclays Bank agreed to defer putting the charge in place against the loan pending the transfer of the College's assets and liabilities to the University of Bolton in the progression of the Area Review outcome. The College has concluded both due diligence and consultation for the merger to progress but the legal structure by which the merger would be affected has not been agreed, but could lead to the dissolution of the College Corporation.

The factors outlined above represent a material uncertainty that casts significant doubt upon the College's ability to continuing as a going concern. Nevertheless after making enquiries, and considering the uncertainties described above, the members of the Corporation have a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12-months from the date of approval of these financial statements. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

In reaching this conclusion, the members of the Corporation have considered their decision to merge with the University of Bolton. Whilst the legal structure by which the merger would be affected has not been agreed, the Corporation is not able to trigger the dissolution of the Corporation, as such there is not considered to be an intention to dissolve the Corporation, which would render the going concern basis of preparation inappropriate. Should the proposed legal structure of the merged institution require the dissolution of the Corporation, it would be expected that all trade, assets and liabilities of the College would transfer to the new body.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

1. Accounting Policies (continued)**Recognition of Income (continued)**

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

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

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

Post retirement benefits

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

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

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

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

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College'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 funding bodies.

1. Accounting Policies (continued)**Tangible fixed assets*****Land and buildings***

Land and buildings acquired since incorporation are included in the balance sheet at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

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 income account within creditors and are released to the statement of comprehensive income over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

Finance costs, which are directly attributable to the acquisition of land and/or construction of buildings, are capitalised to the point of practical completion.

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

On adoption of FRS102, the College followed the transitional provision to retain the book value of land buildings and not to adopt a policy of revaluations for these properties in the future.

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 increases the future benefits to the College in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £500 per individual item, £250 in the case of IT related equipment, is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic life as follows:

- | | | |
|--|---|------------------------|
| • Furniture and fittings | - | between 5 and 10 years |
| • Motor vehicles and general equipment | - | between 3 and 10 years |
| • Computer equipment | - | between 3 and 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.

Borrowing Costs

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

Leased assets

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

1. Accounting Policies (continued)**Leased assets (continued)**

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

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

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

Investments and endowment assets*Other investments*

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique

Inventories

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

Foreign currency translation

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

Taxation

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

Cash and Cash Equivalents

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

Provisions and Contingent Liabilities

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

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

1. Accounting Policies (continued)**Provisions and contingent Liabilities (continued)**

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

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds, 24+ loan Bursary and AGE grants. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account of the College and are shown separately in note 32, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff to administer Learner Support Fund applications and payments. The income and expenditure for these funds is excluded from the accounts of the College as the College is exposed to minimal risk or enjoys minimal economic benefit related to the transactions.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Bolton College

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)

2 Funding council grants

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Recurrent grants		
Skills Funding Agency	7,058	8,278
Education Funding Agency	11,308	10,391
Higher Education Funding Council	89	128
Specific Grants		
Skills Funding Agency	96	252
Education Funding Agency	464	449
Releases of government capital grants	1,538	1,726
HE grant	-	-
Total	20,553	21,223

3 Tuition fees and education contracts

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Adult education fees	1,143	1,414
Apprenticeship fees and contracts	2	-
Fees for FE loan supported courses	733	758
Fees for HE loan supported courses	335	235
European (excluding UK) students	-	-
International students fees	-	-
Total tuition fees	2,213	2,407
Education contracts	1,355	901
Total	3,568	3,308

4 Other grants and contracts

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Erasmus	-	-
UK-based charities	-	-
European Commission	-	-
Other grants and contracts	4	7
Total	4	7

Bolton College**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)****5 Other income**

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Catering and residences	11	18
Other income generating activities	85	72
Other grant income	145	66
Non government capital grants	-	-
Miscellaneous income	419	612
	<u>660</u>	<u>768</u>
Total		
Exceptional Onerous Lease Provision Release	<u>-</u>	<u>834</u>

The College had previously provided for an onerous lease in respect of one of its rented sites which was disposed of in the year ended 31st July 2015 and therefore the provision was released.

6 Investment income

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Other interest receivable	<u>21</u>	<u>32</u>

7 Donations - College only

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Unrestricted donations	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>

Bolton College**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)****8 Staff costs - College**

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

	2016 No.	2015 No.
Teaching staff	175	178
Non teaching staff	<u>266</u>	<u>264</u>
	<u>441</u>	<u>442</u>

Staff costs for the above persons

	2016 £'000	2015 £'000
Wages and salaries	11,532	11,017
Social security costs	792	694
Other pension costs	<u>2,051</u>	<u>1,650</u>
Payroll sub total	14,375	13,361
Contracted out staffing services	<u>2,129</u>	<u>2,987</u>
	<u>16,504</u>	<u>16,348</u>
Restructuring costs - contractual	-	-
non contractual	50	-
	<u>16,554</u>	<u>16,348</u>

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Management Team which comprises the Principal, Vice Principals and directors of curriculum and support areas of the College. There was no compensation paid to key management personnel for loss of office.

Emoluments of key management personnel, accounting officer and other higher paid staff:

	2016 No	2015 No
The number of key management personnel including the accounting officer was:	<u>11</u>	<u>9</u>

Bolton College

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)

8 Staff costs - College (continued)

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

	Key management personnel		Other staff	
	2016 No.	2015 No.	2016 No.	2015 No.
£0 to £10,000	1	-		
£10,001 to £20,000	-	1		
£50,001 to £60,000	6	5		
£60,001 to £70,000	1	1	-	1
£70,001 to £80,000	1		-	-
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	-	-	-	-
over £100,001	1	1	-	-
	<u>11</u>	<u>9</u>	<u>-</u>	<u>1</u>

Key management personnel compensation is made up as follows:

	2016 £'000	2015 £'000
Salaries	675	556
Employers National Insurance	75	58
Benefits in kind	-	-
	<u>750</u>	<u>614</u>
Pension contributions	105	85
	<u>105</u>	<u>85</u>
Total emoluments	<u>855</u>	<u>699</u>

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

The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2016 £'000	2015 £'000
Salaries	115	110
Benefits in kind	-	-
	<u>115</u>	<u>110</u>
Pension contributions	19	16
	<u>19</u>	<u>16</u>

There was no compensation for loss of office paid to former key management personnel (2015: £Nil)

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

Bolton College**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)****9 Other operating expenses**

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Teaching costs	695	1,019
Non teaching costs	2,859	2,844
Premises costs	<u>1,077</u>	<u>1,328</u>
Total	<u>4,631</u>	<u>5,191</u>
Other operating expenses include:	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	23	22
Internal audit	22	25
Hire of assets under operating leases	<u>80</u>	<u>98</u>

Bolton College**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)****10 Interest payable**

	2016 £'000	2015 £'000
On bank loans, overdrafts and other loans:	<u>667</u>	<u>685</u>
	667	685
On finance leases	-	(4)
Interest on enhanced pension provision (note 19)	240	168
Pension finance costs (note 25)	<u>414</u>	<u>381</u>
Total	<u>1,321</u>	<u>1,230</u>

11 Taxation

	2016 £'000	2015 £'000
United Kingdom corporation tax	-	-
Total	<u>-</u>	<u>-</u>

The College is an exempt charity and therefore outside the scope of corporation tax on its charitable activities.

Bolton College

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)

12 Tangible fixed assets

	Land and buildings Freehold	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2015	63,722	9,332	73,054
Additions	-	606	606
Reduction in cost of building re VAT re-assessment	(293)	-	(293)
Disposals	-	(255)	(255)
At 31 July 2016	63,429	9,683	73,112
Depreciation			
At 1 August 2015	6,355	5,645	12,000
Charge for the year	1,212	1,133	2,345
Elimination in respect of disposals	-	(239)	(239)
At 31 July 2016	7,567	6,539	14,106
Net book value at 31 July 2016	55,862	3,144	59,006
Net book value at 31 July 2015	57,367	3,687	61,054

The College has received a VAT refund in respect of its Deane Road building which has resulted in the above net reduction in overall cost to the College of the project - depreciation has also been adjusted in accordance with the new cost.

Bolton College**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)****12 Tangible fixed assets (continued)**

The net book value of equipment includes an amount of £Nil (2014/15 – £8,515) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £8,515 (2014/15 – £101,501).

If fixed assets had not been revalued they would have been included at the following historical cost amounts:

13 Non current Investments

	Year ended 31 July 2016 2016 £'000	Year ended 31 July 2015 2015 £'000
Investments	-	-
	<hr/>	<hr/>
Total	<hr/> - <hr/>	<hr/> - <hr/>

14 Debtors

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Amounts falling due within one year:		
Trade receivables	454	250
Prepayments and accrued income	286	316
Amounts owed by the Skills Funding Agency	111	125
	<hr/>	<hr/>
Total	<hr/> 851 <hr/>	<hr/> 691 <hr/>
Amounts falling due after one year:		
Other debtors	20	20
	<hr/>	<hr/>
Total	<hr/> 870 <hr/>	<hr/> 711 <hr/>

Bolton College

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)

15 Current investments

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Trust Fund Investments	1	1
Short term deposits	-	-
Total	1	1

Trust fund investments relate to investments held in trust to provide annual prizes for students.

16 Creditors: amounts falling due within one year

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Bank loans and overdrafts	324	325
Trade payables	129	602
Other taxation and social security	844	216
Accruals and deferred income	1,825	2,307
Deferred income - government capital grants	1,509	1,542
Amounts owed to the Skills Funding Agency/EFA	435	784
Total	5,067	5,776

17 Creditors: amounts falling due after one year

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Bank loans	10,688	11,013
Deferred income - government capital grants	39,920	41,429
Total	50,608	52,442

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Financial Assets and Liabilities		
Financial assets measured at amortised cost	3,963	3,718
Financial liabilities measured at amortised cost	15,754	16,788

Financial assets measured at amortised costs comprise cash and cash equivalents and trade debtors

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, accruals and other creditors

Bolton College

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)

18 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
In one year or less	325	325
Between one and two years	325	336
Between two and five years	975	1,121
In five years or more	9,388	9,556
Total	11,013	11,338

The College has an unsecured facility with Barclays to finance the Deane Road campus building. This is a long term facility of £12.7m, £10m of which is fixed at 6.85% payable monthly, and the balance continues at a variable rate, payable quarterly. The facility commenced in 2010 and is fully repaid by 2035.

As a result of the Area Based Review for Greater Manchester, the College's Governing Body has agreed in principle to a merger with the University of Bolton and similarly so has Bury College. Barclays Bank has advised that when this merger takes place it will be considered as an event of default under the terms of the loan and therefore the outstanding loan of £11,013k could become repayable on demand. However, as part of the agreement to merge the University of Bolton has agreed that it will take responsibility for the loan after the merger. Given the issues around the merger, Barclays Bank has also agreed to waive the measurement of the loan covenants for the year ended 31st July 2016 and varied the loan documentation accordingly. This variation was initially made until 7th November 2016, the merger for Bolton College to become part of the University of Bolton being planned for 1st October 2016. The Bank has extended this to 7th January 2017 whilst agreement to the legal structure of the new entity is reached between the Skills Funding Agency, Department for Education and the entities which are planning to merge. Given the current situation on the merger the Bank has now asked to take security over the College's Deane Road building.

The merger will also potentially trigger a break clause in the fixed term interest rate arrangement that the College has in place in respect of £10m of the loan with Barclays Bank. These break costs are estimated to be £3m, none of which is provided for in the accounts presented. As part of the Area Review process the government has made a "Restructuring Fund" available and the colleges and University of Bolton is in the process of making a bid to this fund to cover these breakage costs. Although the structure of the new organisation is unknown a formal bid needs to be submitted before 20th December, after the date of the accounts signing.

As at the 2013/14 year end, the College was in breach of the bank loan covenant, and as such, the College's borrowings were re-classified as falling due within one year of the balance sheet date, as required by Financial Reporting Standards. As the College has met all the covenant requirements for 2014/15 and 2015/16 the loan is now shown as long term.

Bolton College**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)****19 Provisions**

	Enhanced pensions	Other	Total
	£'000	£'000	£'000
At 1 August 2015	3,165	208	3,373
Expenditure in the period	(214)	-	(214)
Transferred from income and expenditure	240	-	240
At 31 July 2016	<u>3,191</u>	<u>208</u>	<u>3,399</u>

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

The principal assumptions for this calculation are:

	2016	2015
Price inflation	1.30%	1.71%
Discount rate	2.30%	3.46%

20 Cash and cash equivalents

	At 1 August 2015 £'000	Cash flows £'000	Other changes £'000	At 31 July 2016 £'000
Cash and cash equivalents	3,509	(41)	-	3,468
Overdrafts	-	-	-	-
Total	<u>3,509</u>	<u>(41)</u>	<u>-</u>	<u>3,468</u>

21 Capital commitments

	2016 £'000	2015 £'000
Commitments contracted for at 31 July	<u>-</u>	<u>-</u>

Bolton College

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)

22 Lease Obligations

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

	Group and College	
	2016	2015
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	-	-
later than five years	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Other		
Not later than one year	80	98
Later than one year and not later than five years	228	-
later than five years	-	-
	<u>308</u>	<u>98</u>
	<u>308</u>	<u>98</u>

23 Contingent liabilities

The College has no contingent liabilities that need to be disclosed.

24 Events after the reporting period

There are no events after the reporting period that require disclosure (2015: £Nil)

Bolton College

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)

25 Defined benefit obligations

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

Total pension cost for the year	2016 £'000	2015 £'000
Teachers Pension Scheme: contributions paid	885	676
Local Government Pension Scheme:		
Contributions paid	942	836
FRS 102 (28) charge	224	138
Charge to the Statement of Comprehensive Income	1,166	974
Enhanced pension charge to Statement of Comprehensive Income	-	-
Total Pension Cost for Year	2,051	1,650

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £141,484 (2015:£ Nil) were payable to the scheme and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic 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 teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay;
- 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.

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.

The pension costs paid to TPS in the year amounted to £885,000 (2015: £676,000)

Bolton College

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)

25 Defined benefit obligations (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Tameside Metropolitan Borough Council. The total contribution made for the year ended 31 July 2016 was £1,207,000, of which employer's contributions totalled £942,000 and employees' contributions totalled £265,000. The agreed contribution rates for future years are 18% for employers and range from 5.5% to 7.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.20%	3.80%
Future pensions increases	1.90%	2.60%
Discount rate for scheme liabilities	2.40%	3.60%
Inflation assumption (CPI)	1.90%	2.60%
Commutation of pensions to lump sums Pre April 2008	55%	55%
Commutation of pensions to lump sums Post April 2008	80%	80%

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 2016 years	At 31 July 2015 years
<i>Retiring today</i>		
Males	21.40	21.40
Females	24.00	24.00
<i>Retiring in 20 years</i>		
Males	24.00	24.00
Females	26.60	26.60

Bolton College**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)****25 Defined benefit obligations (continued)****Local Government Pension Scheme (Continued)**

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2016 £'000	2015 £'000
Fair value of plan assets	30,829	27,421
Present value of plan liabilities	(44,550)	(38,813)
Present value of unfunded liabilities	-	-
Net pensions liability	<u>(13,721)</u>	<u>(11,392)</u>

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

	2016 £'000	2015 £'000
Amounts included in staff costs		
Current service cost	1166	974
Past service cost	-	-
Total	<u>1166</u>	<u>974</u>

Amounts included in interest payable

Net interest payable	414	381
	<u>414</u>	<u>381</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	2,303	735
Experience losses arising on defined benefit obligations	471	267
Changes in assumptions underlying the present value of plan liabilities	(4,465)	(2,410)
Amount recognised in Other Comprehensive Income	<u>(1,691)</u>	<u>(1,408)</u>

Bolton College

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)

25 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit (liability)/asset during the year

	2016	2015
	£'000	£'000
Deficit in scheme at 1 August	(11,392)	(9,465)
Movement in year:		
Current service cost	(1,166)	(974)
Employer contributions	942	836
Past service cost	-	-
Net interest on the defined (liability)/asset	(414)	(381)
Actuarial gain or loss	(1,691)	(1,408)
Net defined benefit liability at 31 July	<u>(13,721)</u>	<u>(11,392)</u>

Asset and Liability Reconciliation

	2016	2015
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	38,813	35,119
Current Service cost	1,166	974
Interest cost	1,403	1,407
Contributions by Scheme participants	265	242
Changes in financial assumptions	3,994	2,143
Estimated benefits paid	(1,091)	(1,072)
Defined benefit obligations at end of period	<u>44,550</u>	<u>38,813</u>

Reconciliation of Assets

Fair value of plan assets at start of period	27,421	25,654
Interest on plan assets	989	1,026
Return on plan assets	2,303	735
Employer contributions	942	836
Contributions by Scheme participants	265	242
Estimated benefits paid	(1,091)	(1,072)
Assets at end of period	<u>30,829</u>	<u>27,421</u>

Bolton College

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)

26 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £Nil (2015: Nil). No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015: None).

27 Amounts disbursed as agent

Learner support funds

	2016 £'000	2015 £'000
Funding body grants	699	428
Supplementary LSF awarded in year	161	160
Other Funding body grants	177	214
Interest earned	-	-
	<u>1037</u>	<u>802</u>
Disbursed to students	(851)	(773)
Administration costs	(43)	(21)
	<u>143</u>	<u>8</u>
Balance unspent as at 31 July, included in creditors		

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

Bolton College

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)

28 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31 July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1 August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	1st August 2014	31st July 2015
	£'000	£'000
Financial Position		
Total reserves under previous SORP	(9,232)	(10,039)
Employee leave accrual	(343)	(343)
Release of capital grant re land	2,694	2,694
Changes to measurement of net finance cost on defined benefit plans	-	-
Other	-	(1)
Total effect of transition to FRS 102 and 2015 FE HE SORP	<u>2,351</u>	<u>2,350</u>
Total reserves under 2015 FE HE SORP	<u>(6,881)</u>	<u>(7,689)</u>
	Year ended 31st July 2015	
	£'000	
Financial Performance		
Surplus for the year after tax under previous SORP	1,072	
Release of capital grant re land		
Reversal of capital grants amortisation		
Pensions provision – actuarial loss	(1,408)	
Changes to measurement of net finance cost on defined benefit plans	(471)	
Other	(1)	
Total effect of transition to FRS 102 and 2015 FE HE SORP	<u>(1,880)</u>	
Total comprehensive income for the year under 2015 FE HE SORP	<u>(808)</u>	

Bolton College

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2016 (continued)

28 Transition to FRS 102 and the 2015 FE HE SORP

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of [xx days] unused leave for teaching staff and [x days] unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to [x days] of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £343k was recognised at 1 August 2014, and at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £7 has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Land grant accounted for under performance model

The College has previously been in receipt of capital grants from sources classified as "government" under FRS 102 and the 2015 FE HE SORP in respect of land purchased by the College. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised against the economic life of the relevant fixed assets. This accounting treatment is no longer available for government grants in respect of land and the grant has therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. An amount of £2,694k has therefore been released to reserves in 2014.

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income

d) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.