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# **BOLTON COLLEGE**

Report and Financial Statements  
Year Ended 31 July 2011

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**BOLTON COLLEGE**  
**FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2011**

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# **BOLTON COLLEGE**

## **OPERATING AND FINANCIAL REVIEW**

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

The members present their report and the audited financial statements for the year ended 31 July 2011.

#### **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 1993 as amended by the Charities Act 2006.

#### **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 World Class Education and Training that is inclusive, inspiring and responsive to their needs.*

#### **Implementation of the College's Development Plan**

The College Development Plan 2009-12 was confirmed by the Corporation in September 2009. It provides a broad overview of the context in which the College operates, its mission, key aims and objectives, a short position statement on each of a range of key areas of operation and an outline of key issues to be addressed. The Development Plan is supported by operational objectives which in turn have underpinning actions, key performance indicators and/or targets as appropriate. The Statement of Operational Objectives also delineates clear responsibility for monitoring progress against the plan and monitoring is assigned to the Senior Management Team and the Corporation overall with particular objectives being assigned to specific committees of the Governing Body.

The College's continuing strategic objectives remain:

- to assist all learners to reach and maximise their full potential, through raising and maintaining retention and achievement rates to the top decile for "Widening Participation" colleges within the sector and through enhanced progression opportunities;
- to widen participation and increase access to lifelong learning opportunities education and training at a variety of locations;
- to support social and economic regeneration, measurable business success and community cohesion through the provision of flexible, innovative and responsive high quality training opportunities, and partnerships with employers, local communities, key agencies and training providers;
- to create a high quality learning organisation which captures world class practice including a culture of continuous improvement;
- to provide inspirational, cutting edge teaching and learning which is responsive to the needs, interests and experience of all learners and leads to success;
- to use up to date technologies and work in partnership to promote developing technologies to create flexible, paper light learning and business processes and environments; and
- to maintain financial viability and excellent control in order to achieve outstanding financial health whilst pursuing the College mission and the core business of teaching and learning.

## **BOLTON COLLEGE OPERATING AND FINANCIAL REVIEW (continued)**

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It was agreed that, in such a rapidly changing environment, the Development Plan and underpinning operational objectives would be regarded as a dynamic document which would be further developed and amended as appropriate in order that it remains a relevant guide to strategy, development and operations within the College. Key priorities for the College across the three year period are outlined with clear targets in the statement of operational objectives but can be summarised as follows:

- to raise student success rates in all funding streams to levels significantly above national averages for General Further Education Colleges with high widening participation factors;
- to generate surpluses that ensure that all costs (including those relating to the financing of the new Deane Road campus) are covered and to enable implementation of the balance of the accommodation strategy and investment in the core business of the College (teaching and learning);
- to embed equality and the celebration of diversity in every aspect of the work of the College;
- to become the College/provider of choice for Bolton learners and businesses ensuring that all learner number, standard learner number, funding and sub targets are met;
- to perform successfully in any inspection or external quality review;
- to maximise funding opportunities and successfully implement efficiency savings;
- to develop a proactive, “can do” high performing organisational culture focussed on student needs and success;
- to extend the apprenticeship framework to include more employers and new vocational pathways;
- to develop new curriculum pathways including progression routes for 14 -19 year old learners, including full involvement in planning the delivery of all five new diploma lines;
- to pursue the balance of the College’s accommodation strategy including achievement of approval in detail for the relocation to the town centre campus of its motor vehicle and fabrication and welding provision from Horwich; and
- to achieve the primary financial objective as agreed by the Corporation in July 2010 of attainment of operating surpluses sufficient to cover the costs of borrowings related to the new Deane Road campus, as confirmed by the revised Financial Strategy 2009-14.

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



# **BOLTON COLLEGE**

## **OPERATING AND FINANCIAL REVIEW (continued)**

The achievements against these objectives are as follows:-

### **Learner Numbers and Funding (Further Education) 2010/11**

The College achieved 106% of its Young People's Learning Agency (YPLA) funding for Learner Responsive (LR) young people (16-19). Adult Learner Responsive (ALR) provision also over achieved the initial allocation by 8%. As the single adult skills budget came into place for 2010/11 this over achievement allowed the College to vire funding from Work Based Learning (WBL) delivery (see below):-

*Table information as at 11<sup>th</sup> November 2011*

<b>Age Group</b>	<b>Target</b>	<b>Actual</b>	<b>Difference</b>	<b>Percentage</b>
16-18 Learners	2,197	2,332	+135	106%
19+ Learners	3,031	3,104	+73	102%
16-18 SLN	2,610.35	2,750.99	+140.64	105%
19+ SLN	1308.58	1461.42	+147.24	112%
16-18 Funding	£8,933,254	£9,423,396	+£490,142	105%
19+ Funding	£3,999,862*	£4,331,238	+£331,376	108%

*\*Initial allocation*

### **Adult Safeguarded Learning (ASL)**

The College continued to attain a good level of successful achievements of key targets for the ASL contract held with Bolton Metropolitan Borough Council and, in 2010/11, the College sought to increase learner volume and enrolments (see below). Targets for 2010/11 were achieved for total learners, this figure increasing by 89 from the previous year's outturn of 6,040.

*Table information as of 11<sup>th</sup> November 2011*

	<b>10-11 Targets</b>	<b>Actual at 2011-11-07</b>	<b>% of Target</b>
Total of Below	7047	7462	105.25%
of which			
Family Learning, Literacy Numeracy	335	398	118.81%
Personal Community Development Learning	5424	5601	103.01%
Wider Family Learning	367	379	103.27%
First Steps	471	498	104.88%
Neighbourhood Learning and Development in the Community	450	586	124.22%

## BOLTON COLLEGE OPERATING AND FINANCIAL REVIEW

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### Work Based Learning (WBL) Success Rates

Success rates are key performance indicators that are monitored internally by Training Services and externally by the Skills Funding Agency (SFA). In recognition of downturn in the economy, the success rate target for 2010/11 was maintained at 75%. Training Services, in partnership with the College Programme Areas, had an overall success rate of 73.4%, just 0.6% under the national benchmark, as identified below:

Area	2008/09 Target	2008/09 Outturn	2009/10 Target	2009/10 Outturn	2010/11 Target	2010/11 Outturn
Apprenticeship Framework only (NVQ & Framework) Achievement	75%	78%	75%	71%	75%	73.4%
	N/A	(78%)	N/A	(75%)	N/A	(78%)

The downturn in the economy and the reduction in number of employer vacancies for prospective apprentices had a large negative impact on all WBL providers throughout the country, both in terms of success rates and financial contract performance. As the economy has only shown limited improvement in 2010/11 it is no surprise that the College was unable to meet its target again this year: the outturn for 2010/11 was £3,118,291 compared to an initial budget of £3,828,151 or 82% achievement.

The contract value was changed in the year as there was no growth in the 16-18 year old cohort. The out turn was at 88% of the final contract value of £3,560,260. The main underperformance in the 19+ contracts was in one of the College's partners which was only notified to the College after the year end, making additional substitute activity impossible to achieve.

### Train to Gain (T2G) Contract Starts and Success Rates

As a result of changes in Government policy, the future of T2G was thrown into some doubt early in the year and guidance provided to colleges was unclear in some respects. In compliance with the initial guidance, the College decided not to actively recruit and later worked with just one partner at a much reduced contract volume. This resulted in only 230 starts (compared to 767 in the previous year).

The success rates are detailed in the table below. Although still high and well above benchmark, the downwards trend does reflect the uncertainty over the future direction of Government policy concerning Train to Gain:-

Area	Target 2008/09	Actual 2008/09	Target 2009/10	Actual 2009/10	Target 2010/11	Actual 2010/11
Success Rates	80%	95%	95%	93%	95%	90%

## **BOLTON COLLEGE**

### **OPERATING AND FINANCIAL REVIEW (continued)**

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#### **Financial Objectives**

In July 2010, the College Corporation revised the key financial objective to that 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.”

Accordingly, the other financial objectives reviewed by the Corporation in July 2010 fully reflected the impact of the Deane Road capital project, the Approval in detail forecast and the bank covenants imposed. The performance against these objectives has been creditable during 2010/11, the outturns being:-

- a positive cash flow from operations of £1,627k - achieved £1,352k;
- cash days in hand of 39.18 – achieved 37.13;
- a current ratio of 1.05:1 – achieved 1.07:1;
- an operating surplus before exceptional charges, taxation, past service cost gain and FRS17 adjustment of £385k – achieved £117k; and
- a positive balance on general reserves (Income & Expenditure Reserve account) £1,786k – achieved £2,178k.

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**

The funding bodies continue to measure FE performance in terms of contribution to national targets. The College's development plan for 2010/11 focused on four headline targets:

- learner number growth and achievement of LSC and successor organisations' targets;
- learner success rates;
- teacher qualifications; and
- employer engagement.

In 2010/11 the College achieved its learner numbers and the present position with regard to overall success rates is 84%. (81% - 2009/10). This figure is unlikely to change before the final date for submission of this data to the SFA.

All College teaching staff have maintained a continuing professional development portfolio. 96% hold teaching qualifications and 34% are qualified to post graduate level.

The College was inspected in May 2010 and was deemed to be 'Good': Grade 2 for overall effectiveness of provision. Ofsted grade provision across a range of criteria, the main grades for the College are as follows:

- |                             |         |
|-----------------------------|---------|
| • Capacity to improve       | Grade 2 |
| • Outcomes for learners     | Grade 2 |
| • Quality of provision      | Grade 2 |
| • Leadership and management | Grade 2 |

Within these main grades it is worth identifying the following sub grades:

- |                       |                       |
|-----------------------|-----------------------|
| • Governance          | Grade 1 (Outstanding) |
| • Engaging with users | Grade 1 (Outstanding) |

## **BOLTON COLLEGE**

### **OPERATING AND FINANCIAL REVIEW (continued)**

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#### **Performance Indicators (continued)**

##### **Framework for Excellence**

The College is also judged as part of the national Framework for Excellence (FfE). The FfE is the government's performance-assessment framework for Further Education (FE) colleges and post-16 education and training providers. It is formed from a core set of verifiable indicators which provide an independent, quantitative assessment of the performance of individual providers and of the sector as a whole. Key performance indicators under the FfE for 2010/11 are:

##### **Success rates**

16-18	Long courses	81%
19+	Long courses	80%
16-18	Short courses	88%
19+	Short courses	89%
16-18	Very short courses	93%
19+	Very short courses	98%
Apprenticeships		78%
Train to Gain		90%

##### **Finance Indicators**

Financial Health	Satisfactory
Financial Management and Control Evaluation	Outstanding

## **FINANCIAL POSITION**

### **Financial results, Cash flow and Liquidity**

Income increased compared to 2009/10 by 16% (including the release of deferred capital grant). The College continues to rely significantly on the funding agencies for its principal funding source, largely from recurrent grants and in 2010/11, the SFA and YPLA provided 85.0% of the College's total income (2009/10 83.8%).

The College incurred an operating deficit in the year of £117k (2009/10 £1,135k surplus). 2010/11 is the first year post practical completion and the outturn has been affected by the financing of the new build with interest payments and depreciation charges. In addition, the results for 2009/10 included a one-off past service gain.

The College's new campus was brought into use at the commencement of the Autumn Term in September 2010. At the time of project approval, the LSC determined that their contribution was to be 84.3% of the total project costs of £70,582k, which includes an additional £3,842k for interest payable, arising as result of the payment profile from the LSC being spread over five years. The intervention grant rate was previously increased from 81% to 83.4%, implying an additional £1,600k interest when the LSC extended the repayment profile to three years.

To the end of July 2011, the College has capitalised costs of £65.8 million on the new build project. These costs have been met by the Skills Funding Agency (£43.9m), with the balance being borrowed from Barclays Bank.

The College has two facilities with Barclays Bank namely a long term loan facility and bridge loan with maxima of £12,651k and £38,707k respectively, with which to fund the new build project. At July 2011, the College had fully utilised the long term loan and borrowed £24.7m of the bridge facility. The Facilities Agreements include financial covenants with which the College has to comply. The College has to ensure that:-

- the ratio of net operating cashflow to debt servicing costs for the period ended 31 July 2011 shall not be less than 1:1; (2010/11 : 1.78:1);



## **BOLTON COLLEGE**

### **OPERATING AND FINANCIAL REVIEW (continued)**

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#### **Financial results, Cash flow and Liquidity (continued)**

- the ratio of net operating cashflow to debt servicing costs for the period ended 31 July 2012, and each year after, shall not be less than 1.25:1;
- debt servicing costs (excluding interest payable in respect of the bridge facility) for each year ended 31 July will not exceed 7% of total income for the period: (2010/11: 3.3%.); and
- the statement of historical costs surpluses and deficits, as shown in the audited accounts, will not show a deficit of more than £500,000 or 0.5% of turnover (whichever is the lesser amount) unless covered by distributable reserves, for each of the two most recent consecutive periods of twelve months (2009/10 : £3,921k, 2010/11 : (£117k).)

The College can confirm that for the financial year ended 31 July 2011 all the covenant requirements have been met.

In addition to these borrowings, the College has £283k of finance lease commitments for end user IT equipment, and has purchased £220k of non new build funded fixed assets during the year.

#### **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 Vice Principal Finance and Resources and subsequently reported to the Corporation. Such arrangements are restricted by limits in the College's Financial Memorandum previously 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 2010/11 the College delivered activity that achieved the income target of £8,933,254 for young people and £3,999,862 for adult FE funding. This was derived from a total of 5,336 learners, 2,332 of which were 16-18 and 3,104 adults. In addition, the College also supported 18 learners aged 19-24 who had learning difficulties and disabilities which substantially met the very small target of 2. This was represented in a funding target of £5,691 and achieved funding of £52,534.

For the last 5 years the College has experienced growth in 16 – 18 year old learners. The move to the new building has further assisted growth as more young people are attracted to the up to date facilities. In light of demand-led funding for 16 – 18 year olds, significant growth in numbers of learners in this age range was planned with delivery costs initially met through efficiency savings such as increases in class sizes.

Although some over achievement of the 16-18 year old cohort was unfunded, this strategy was adopted by the College in order to generate an increase in the cohort target for 2011/12 and this was achieved: based on the College performance and business case provided to the SFA. 2011/12 targets increased to 2,281 learners from 2,197 learners in 2010/11, from 1847 learners in 2009/10, from 1,599 in 2008/09 and 1,395 in 2007/08 representing an increase of 886 learners over the last four/five years.

The College also anticipates overachievement of the YPLA funded target for 16-18 year old learners again for 2011/12 by around 125 learners.

## **BOLTON COLLEGE**

### **OPERATING AND FINANCIAL REVIEW (continued)**

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#### **Learner achievements**

Learners continue to prosper at the College. Success rates rose again in 2010/11 to 84% overall. However, success rates within the sector continue to rise at approximately 1% per annum and, therefore, the College objective was to improve success rates through improved quality and more ambitious target setting. Review of the entry criteria for courses, work on improving student attendance, and a focus on managing the learning programme for groups and individual learners was all part of the work of the Curriculum and Quality Teams in 2010/11, as was additional modifications to the Performance Review System. This has enabled the College to achieve a 2% increase on overall success from 2009/10.

This represents a success rate which is well above national averages and puts the College well on track to becoming outstanding.

#### **Curriculum developments**

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

Many of the College's learners have low levels of prior educational achievement and the College is growing the range of courses aimed at learners who are returning to education. These include entry level 3, foundation learning and basic skills programmes. In addition, the College is also involved in training the next generation of teachers of basic skills in a project with the Skills Funding Agency. The expansion in the Choices Programme and the addition of new vocational foundation level options for this programme is a major element 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.

It is clear that the College curriculum is heavily weighted towards foundation learning and level 1 programmes and will continue to adapt to the needs of the community of Bolton. However, additional curriculum gaps will be identified, developed and delivered in areas of key priorities identified through key economic analysis of the Greater Manchester. These will include introduction of additional programmes at level 2, 3 and 4.

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

- Aim Higher.
- 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 College delivery of the Bolton Council ASL (Adult Safeguarded 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 2010/11 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 very important and continues to further develop in this area. There is an effective communication strategy, which in 2010-11 built upon previous work. This strategy formalises 'how it will' communicate with its staff and learners. 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 and this team continues to be enhanced with an annual strategic driven two day management development event. The College has an embedded electronic form of communication, i.e. the '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 also includes learners with a focus on learner based news items

## **BOLTON COLLEGE**

### **OPERATING AND FINANCIAL REVIEW (continued)**

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#### **Staff and Learner Involvement (continued)**

which are designed to enhance their experience at College and how we communicate with our learners.

The College continues to commit to the roll out of a programme of culture change in partnership with The Pacific Institute. A number of college staff have been trained as facilitators and approx 200 staff have been trained. The programme will run for 3 years, after which it will form part of the staff induction programme.

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. Each year learners are invited to give feedback to the College through enrolment, induction and learner satisfaction surveys. The College's Ofsted Report (May 2010) reported that "Learners' views are very well represented and have significant impact on curriculum design and the strategic direction of the college. The College captures a very wide range of learners' views through democratically elected forums, learning walks, themed lunches and student governors, and then responds promptly to effect improvements".

#### **Future developments**

The new buildings at Deane Road have provided improved capacity and the College continues to seek to increase significantly 16 -18 student numbers over the next 2 years.

The College also aims to improve efficiency where possible and in this respect has introduced a number of schemes across the College site, such as controlled printing and paperless offices.

Additionally, the College plans to reduce dependency on the Skills Funding Agency and is pursuing opportunities particularly in the areas where the College currently performs well such as work with utility companies.

#### **RESOURCES**

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

##### *People*

The College employs 487 people (expressed as full time equivalents) at 31 July 2011. Of this number 203 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 and growing reputation locally and nationally. This is essential for the College's success at attracting learners and developing external relationships and is now being consciously managed through the Senior Management Team. In addition a major increase in the quality and penetration of marketing activities has led to an improved reputation and increased enrolments.

##### *Financial*

The College has £51.3 million of net assets (including a £4.3 million pension liability) and long term loans (long-term and bridge) of £20.7 million at 31 July 2011.



## **BOLTON COLLEGE**

### **OPERATING AND FINANCIAL REVIEW (continued)**

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#### **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.

The College's Risk Management Working Group is responsible for maintaining the College's Risk Register and Risk Management Action Plan, both of which identify sub groups or College committees, including Governor Committees, responsible for monitoring or controlling each risk. 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.

Each year, all such groups or committees review and reassess their relevant risks and report back to the Risk Management Working Group, which in turn reports to the College's Audit Committee. The College's Senior Management Team review risk at every meeting thereof, identifying any new risks.

Each programme area or business area also maintains its own risk register which is reviewed quarterly at performance/financial reviews.

In addition, the Risk Management Group will also consider any risks which may arise for whatever new reason and will commission action as necessary, such as improving the data security in response to an identified risk.

The process of embedding risk management is supported by a risk management training programme to raise awareness of risk throughout the College.

The principal risk factor that may affect the College relates to Government funding as the College has considerable reliance on continued government funding through the LSC and its successor organisations and HEFCE. In 2010/11, 85.0% of the College's revenue was ultimately public funded and this level is expected to continue. 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.

The Executive Team is also engaged in a range of local and regional meetings, briefings and consultation groups which are considering and informing the processes of change and the College is formally represented by the Principal on the 14 – 19 Strategic Partnership.

Through these mechanisms and other key aspects of College work, Bolton College is as prepared as possible to survive and thrive in the new landscape of post 16 provision. However, it should be noted that several significant operational aspects have not yet been fully planned and worked through at national, regional and local levels.

## **BOLTON COLLEGE OPERATING AND FINANCIAL REVIEW (continued)**

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### **STAKEHOLDER RELATIONSHIPS**

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

- learners;
- funding organisations;
- staff;
- local employers (with specific links);
- Bolton Council;
- government offices/ regional development agencies;
- the local community;
- Bolton Sixth Form College and the University of Bolton;
- 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 internet site.

### **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 disability, age, gender, race, colour, religion, culture, ethnicity, language, sexual orientation, marital or parental status, 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 Equality and Diversity Policy and Race Equality Policy are published on the College's Internet site as is the Disability Equality Scheme and associated action plan which is reviewed annually by the Equalities and Human Rights Commission.

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. An equality and diversity action plan is published each year and monitored by members of the Equality and Diversity Committee, managers and governors.

### **Disability Statement**

The College seeks to achieve the objectives set down in the Equality Act (previously Disability Discrimination Act 1995) 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 new 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.

## **BOLTON COLLEGE**

### **OPERATING AND FINANCIAL REVIEW (continued)**


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- 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 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 its first 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; and
- the College was graded as 'good' for its commitment to equality and diversity by Ofsted in May 2010. During 2009/10, following learners' comments about divisions between subject areas, a series of activities has taken place within the College to promote successful cross-curricula working.

#### **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 12<sup>th</sup> December 2011 and signed on its behalf by:**



**Dr. R Oxtoby**

**[Chair]**

**BOLTON COLLEGE**  
**OPERATING AND FINANCIAL REVIEW (continued)**

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**Professional Advisors**

Financial Statements and Regularity Auditors:  
Grant Thornton UK LLP  
Chartered Accountants and Registered Auditor  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

Internal Auditors:  
Baker Tilly UK Audit LLP  
Chartered Accountants  
Steam Mill  
Chester  
CH3 5AN

Bankers:	
National Westminster Bank plc	Barclays
Bolton Central Branch	3 Hardman Street
24 Deansgate	1 <sup>st</sup> Floor
Bolton	Spinningfields
BL1 1BN	Manchester
	M3 3HF

Solicitors:  
George Davies Solicitors LLP  
8<sup>th</sup> Floor  
1 New York Street  
Manchester  
M1 4AD



# **BOLTON COLLEGE**

## **STATEMENT ON CORPORATE GOVERNANCE AND INTERNAL CONTROL**

The College is committed to exhibiting best practice in all aspects of Corporate Governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance code issued by the London Stock Exchange in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

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 2011.

### **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.

**Table: Governors serving on the College Corporation during 2010/11.**

<b>Member</b>	<b>Date Appointed</b>	<b>Term of Office</b>	<b>Date Resigned</b>	<b>Status of Appointment</b>	<b>Committees Served</b>
Dr. R. Oxtoby (Chair)	20/07/00 19/07/08	4 years		Member	Finance & GP Search & Governance, Remuneration
Cllr P. Ashcroft	01/09/08	4 years		Member	Audit
Mr S. Badat	16/07/03 15/07/07	4 years	14/07/11	Member	Employment
Ms S. Bain	28/03/07 27/03/11	4 years		Member	Standards Audit
Mrs C. Bannerman	01/09/07		07/01/11	Principal / Chief Exec	All except Audit
Mr S. Crow	15/01/03 14/01/07	4 years	13/01/11	Member	Finance & GP
Mr N. Kerrigan	23/03/11	4 years		Staff Member	Standards
Mr G. Evans	20/07/00 19/07/08	4 years		Member	Employment , Remuneration
Mr P. Griffiths	15/01/07	4 years	14/01/11	Staff Member	Standards
Mr G. Worthington	01/09/10	2 years	31/12/09	Student Member	Standards
Mr I. FitzGerald	08/01/11		30/04/11	Acting Principal/Chief Executive	All except Audit
Mrs M. Gilluley	01/05/11			Principal/Chief Executive	All except Audit
Ms S. Nixon	01/09/07 01/09/11	4 years		Member	Employment
Mr R. Peet	08/07/09	4 years		Member	Standards
Mr J. Lord	14/01/11	4 years		Member	Finance & GP
Mrs B. Ronson	29/09/04 19/07/08	4 years		Member	Audit, Employment
Mr P. Syddall	10/12/08	4 years		Member	Finance & GP
Mr D. Buckle	26/03/10	4 years		Member	Finance & GP, search & Governance
Mr D. Hendleman	01/09/10	2 years	31/08/11	Student Member	Standards
Mr G. Mistry	12/12/09	4 years		Staff Member	Employment
Mr J. Patel	07/12/09	4 years		Member	Audit
Mrs J. Smith	26/03/10	4 years		Member	Standards, Remuneration
Mr D. Valji	07/12/09	4 years		Member	Employment
Cllr L. Thomas	14/06/00 19/07/08	4 years		Member	Remuneration
Ms M E Hutchinson has acted as Clerk to the Corporation from 5 May 2009 to 19 August 2010 Mr P Ryan acted as Clerk to the Corporation from 19 August 2010					

## **BOLTON COLLEGE STATEMENT ON CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)**

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### **The Corporation (continued)**

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation 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. These committees are Standards, Finance & General Purposes, Audit, Employment, Search & Governance, and Remuneration. 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 of the College 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.

## **BOLTON COLLEGE STATEMENT ON CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)**

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### **Remuneration Committee**

Throughout the year ending 31 July 2011, 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 2011 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) and two external co-opted members. The Committee operates in accordance with written terms of reference approved by the Corporation and based on the Audit Code of Practice.

The Audit Committee meets 4 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 monitor 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.

### **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, effectively and economically. The system of internal control has been in place in Bolton College for the year ended 31 July 2011 and up to the date of approval of the annual reports and accounts.



**BOLTON COLLEGE**  
**STATEMENT ON CORPORATE GOVERNANCE AND INTERNAL**  
**CONTROL (continued)**

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*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 ending 31 July 2011 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 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 Principal 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 a plan to address weaknesses to ensure continuous improvement of the system is in place.

**BOLTON COLLEGE**  
**STATEMENT ON CORPORATE GOVERNANCE AND INTERNAL**  
**CONTROL (continued)**

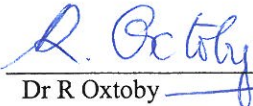
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The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and Audit Committee also receive regular reports from internal audit, 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 2011 meeting the Corporation carried out the annual assessment for the year ended 31 July 2011 by considering documentation from the senior management team and internal audit, taking account of events since 31 July 2011.

**Going Concern**

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 12<sup>th</sup> December 2011 and signed on its behalf by:

  
Dr R Oxtoby

Chair of the Corporation

  
Mrs M Gilluley

Principal



## **BOLTON COLLEGE**

### **STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION**

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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 Principal, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction issued jointly by the Skills Funding Agency and the Young People's Learning Agency. In accordance with those terms and conditions, the Corporation must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the surplus or deficit of the College 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 an Operating and Financial Review 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 prescribe. 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 12<sup>th</sup> December 2011 and signed on its behalf by:



Dr R Oxtoby

Chair of the Corporation

**BOLTON COLLEGE**  
**INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF**  
**BOLTON COLLEGE**

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We have audited the financial statements ("the financial statements") of Bolton College for the year ended 31 July 2011 which comprise of the income and expenditure account, the statement of total recognised gains and losses, the statement historical cost surpluses and deficits, the balance sheet, the cash flow statement, the accounting policies and 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) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the members of the Corporation of Bolton College and auditor**

As described in the Statement of Responsibilities of the members of the Corporation set out on page 19, 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 (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the operating and financial review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2011 and of the College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions

**BOLTON COLLEGE**  
**INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF**  
**BOLTON COLLEGE (continued)**

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**Opinion on financial statements (continued)**

**Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the YPLA and the Audit Code of Practice issued by the Learning and Skills Council**

In our opinion:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records.

*Grant Thornton UK LLP*

**Grant Thornton UK LLP**  
Statutory Auditor  
Chartered Accountants  
Manchester

Date: *16<sup>th</sup> December 2011*



**BOLTON COLLEGE**  
**INDEPENDENT AUDITORS' REPORT ON REGULARITY TO THE**  
**CORPORATION OF BOLTON COLLEGE ('THE CORPORATION') AND THE**  
**SKILLS FUNDING AGENCY**

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In accordance with the terms of our engagement letter dated 6 July 2007 and further to the requirements of the Chief Executive of Skills Funding, we have performed procedures to obtain assurance about whether, in all material respects, the expenditure disbursed and income received of Bolton College ('the College') for the year ended 31 July 2011 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and the Chief Executive of Skills Funding. Our work has been undertaken so that we might state to the Corporation and the Chief Executive of Skills Funding those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the Chief Executive of Skills Funding, for our work, for this report, or for the opinion we have formed.

**Respective responsibilities of the Members of the Corporation of Bolton College and Auditors**

The College's Corporation are responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations, for ensuring that expenditure and income are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this work are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice as amended by the Joint Audit Code of Practice and the Regularity Audit Framework issued by the Chief Executive of Skills Funding. We report to you whether, in our opinion, in all material respects, expenditure and income for the year ended 31 July 2011 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

**Basis of opinion**

We conducted our work in accordance with the Audit Code of Practice as amended by the Joint Audit Code of Practice and the Regularity Audit Framework issued by the Chief Executive of Skills Funding. Our work includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

**Opinion**

In our opinion, in all material respects, the expenditure and income for the year ended 31 July 2011 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

*Grant Thornton UK LLP*

**Grant Thornton UK LLP**  
Statutory Auditor  
Chartered Accountants  
Manchester

Date: *16<sup>th</sup> December 2011*

**BOLTON COLLEGE**  
**INCOME AND EXPENDITURE ACCOUNT**

**FOR THE YEAR ENDED 31 JULY 2011**

	Notes	Year Ended 31 July 2011	Year Ended 31 July 2010
		£000	£000
<b>INCOME</b>			
Funding body grants	2	26,059	22,213
Tuition fees and education contracts	3	2,131	2,040
Research grants and contracts	4	25	21
Other income	5	1,898	1,866
Endowment and investment income	6	189	15
<b>Total Income</b>		<b>30,302</b>	<b>26,155</b>
<b>EXPENDITURE:</b>			
Staff costs	7	17,373	17,569
Past service gain on enhanced pension provision	20	-	(265)
Other operating expenses	9	6,927	6,242
Depreciation	13	3,091	839
Interest and other finance costs	10	3,028	635
<b>Total expenditure</b>		<b>30,419</b>	<b>25,020</b>
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and before tax		(117)	1,135
Taxation	11	-	-
<b>(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation, tax and exceptional items</b>	12	<b>(117)</b>	<b>1,135</b>

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

The notes on pages 28 to 46 form part of these financial statements.



**BOLTON COLLEGE**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 JULY 2011**

	Notes	Year Ended 31 July 2011	Year Ended 31 July 2010
		£000	£000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, tax and exceptional items		(117)	1,135
Actuarial gain/(loss) in respect of pension scheme	30	3,612	(390)
Past service gain on pension liability	30	-	1,699
<b>Total recognised gains since last report</b>		<b>3,495</b>	<b>2,444</b>

**Reconciliation**

Opening reserves	(5,628)	(8,072)
Total recognised gains for the year	3,495	2,444
Closing reserves	<b>(2,133)</b>	<b>(5,628)</b>

The notes on pages 28 to 46 form part of these financial statements.

**BOLTON COLLEGE**  
**STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS**

**FOR THE YEAR ENDED 31 JULY 2011**

	Notes	Year Ended 31 July 2010	Year Ended 31 July 2009
		£000	£000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, tax and exceptional items		(117)	1,135
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	22	-	340
Release of property revaluation gain on disposal of Manchester Road	22	-	2,446
<b>Historical cost (deficit)/surplus for the period after taxation</b>		<b>(117)</b>	<b>3,921</b>

The notes on pages 28 to 46 form part of the financial statements.

# BOLTON COLLEGE

## BALANCE SHEET

AS AT 31 JULY 2011

	Notes	31 July 2011 £000	31 July 2010 £000
<b>Fixed assets</b>			
Tangible assets	13	63,914	63,503
Investments	14	1	1
<b>Total fixed assets</b>		<b>63,915</b>	<b>63,504</b>
<b>Debtors due after more than one year</b>	15	<b>14,604</b>	<b>26,024</b>
<b>Current assets</b>			
Stock		27	23
Debtors due within one year	15	1,292	16,194
Cash at bank and in hand	16	19,344	6,510
<b>Total current assets</b>		<b>20,663</b>	<b>22,727</b>
<b>Less : Creditors amounts falling due within one year</b>	17	<b>(19,294)</b>	<b>(5,922)</b>
<b>Net current assets</b>		<b>1,369</b>	<b>16,805</b>
<b>Total assets less current liabilities</b>		<b>79,888</b>	<b>106,333</b>
<b>Less: Creditors amounts falling due after more than one year</b>	18	<b>(20,841)</b>	<b>(48,483)</b>
<b>Less: Provisions for liabilities and charges</b>	20	<b>(3,453)</b>	<b>(3,477)</b>
<b>Net assets excluding pension liability</b>		<b>55,594</b>	<b>54,373</b>
<b>Net pension liability</b>	30	<b>(4,317)</b>	<b>(7,695)</b>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>51,277</b>	<b>46,678</b>
<b>Deferred capital grants</b>	21	<b>53,409</b>	<b>52,306</b>
Income & expenditure account excluding pension reserve	23	2,178	2,061
Pension reserve	30	(4,317)	(7,695)
Income & expenditure account including pension reserve		(2,139)	(5,634)
Restricted reserve	23	6	6
<b>Total reserves</b>		<b>(2,133)</b>	<b>(5,628)</b>
<b>TOTAL FUNDS</b>		<b>51,276</b>	<b>46,678</b>

The financial statements were approved by the Corporation on the 12th December 2011 and were signed on it's behalf by :



Dr. R.Oxtoby  
Chair



Ms Marie Gilluley  
Principal

The notes on pages 28 to 46 form part of these financial statements.

**BOLTON COLLEGE**  
**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 JULY 2011**

	Notes	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Cash inflow from operating activities	24	1,352	1,984
Returns on investments and servicing of finance	25	(2,474)	(1,566)
Capital expenditure and financial investment	26	24,911	(34,664)
Financing	27	(10,955)	39,872
Increase in cash in the year		<u>12,834</u>	<u>5,626</u>

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

		£000	£000
Increase in cash in the year		12,834	5,626
New loans	27	(1,654)	(39,791)
Loan repayments	27	12,475	-
Net finance lease repayments	27	134	(81)
Movement in net debt in the year		<u>23,789</u>	<u>(34,246)</u>
Net debt at 1 August	28	(41,923)	(7,677)
Net debt at 31 July		<u>(18,134)</u>	<u>(41,923)</u>

In this statement, figures in brackets refer to cash outflows and all other figures are cash inflows to the College.

The notes on pages 28 to 46 form part of these financial statements.

**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD**  
**YEAR ENDED 31 JULY 2011**

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**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.

**Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting in Further and Higher Education Institutions 2007 (the SORP) and in accordance with applicable Accounting Standards (United Kingdom Generally Accepted Accounting Practice). They conform to guidance published jointly by the Skills Funding agency and the YPLA in the 2010/11 Accounts Direction Handbook.

**Basis of accounting**

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

The College has one associated company, Watertrain Limited, a company incorporated in the United Kingdom. The associated company is not considered to be material to the group and therefore the College has elected not to prepare consolidated accounts.

**Going concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The College currently has £37.4m of loans outstanding with bankers on terms negotiated in 2008. £24.9m relates to a bridge facility and is in place until May 2013, repayable on receipt of the final funding body grant. £12.5m which relates to a long term loan facility is in place for up to another 24 years. The College's forecasts and financial projections indicate that it will be able to operate within the terms of these existing facilities and covenants for the foreseeable future. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

**Recognition of income**

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

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. Employee Responsive grant income is recognised based on a year end reconciliation of income claimed and actual delivery. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.



**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD**  
**YEAR ENDED 31 JULY 2011**

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

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by learners or their sponsors.

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

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

**Post retirement benefits**

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Fund (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS). 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 quinquennial valuations using a prospective benefit method. As stated in Note 30, 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 benefit contribution scheme and the contributions recognised as they are paid each year.

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

**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.

**Tangible fixed assets**

***Land and buildings***

Land and buildings acquired since incorporation are included in the balance sheet at cost.

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.

**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD**  
**YEAR ENDED 31 JULY 2011**

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

**Tangible fixed assets (continued)**

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the 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.

***Assets under construction***

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

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

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

- market value of the fixed asset has subsequently improved;
- asset capacity increases;
- substantial improvement in the quality of output or reduction in operating costs; or
- significant extension of the asset's life beyond that conferred by repairs and maintenance.

***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.

**Leased assets**

Costs in respect of operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.



**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD**  
**YEAR ENDED 31 JULY 2011**

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

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

Assets held under hire purchase contracts which have the characteristics of a finance lease are treated in the same manner as assets held under finance leases.

**Investments and endowment assets**

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

**Stocks**

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

**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.

**Liquid resources**

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

**Provisions**

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.

**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD**  
**YEAR ENDED 31 JULY 2011**

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

**Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support funds and educational maintenance allowances. Related payments received from the funding bodies and subsequent disbursements to learners are excluded from the income and expenditure account and are shown separately in note 35, 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.

**Treatment of Skills Funding Agency Capital Grant**

The SFA confirmed the intervention rate of 84.3% of the total project costs of £70.6m (inclusive of the additional interest payable) for the new build capital project. The conditions of the grant letter determined the maximum level of capital project support payable in each of the funding bodies' financial years 2009/10 to 2013/14.

The College is required to submit a claim for payment, supported by relevant evidence of expenditure. At the period end total expenditure incurred on the capital project was £70m for which claims have been prepared to determine the level of Capital Grant support payable, at the confirmed intervention rate. To date the funding bodies have paid £43.9m, £42.8m of which has been recognised as a deferred grant to be released as appropriate on practical completion of the new build, the balance, £1.1m has already been released to offset project fees paid.

The actual level of grant receivable against the £70m expenditure is £58.4m; therefore the balance still owed, £14.5m, is shown as a deferred grant receivable and a debtor due in more than one year.

In accordance with guidance received from the SFA, the College has apportioned the capital grant between that attributable to the cost of the land and structure of the building, that attributable to the associated fixtures and fittings and that attributable to the incremental borrowing costs to be incurred by the College due to the deferred nature of the grant payment profile (when compared to the original profile and intervention rate indicated by the funding body).

**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING 31 JULY 2011**

**2 Funding Body Grants**

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Skills Funding Agency - recurrent grant	12,379	12,745
Young Peoples' Learning Agency - recurrent grant	8,943	8,541
HEFCE - recurrent grant	298	305
LSC and successor organisations - non-recurrent grant	403	605
Releases of deferred capital grants (note 21)	4,036	17
	<u>26,059</u>	<u>22,213</u>

**3 Tuition Fees and Education Contracts**

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Tuition fees	1,785	1,634
Higher Education income (HE)	346	406
	<u>2,131</u>	<u>2,040</u>

**4 Other Grants and Contracts**

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Releases from deferred capital grants (non funding body) (note 21)	9	21
Release of other grants (nonfunding body)	16	-
	<u>25</u>	<u>21</u>

**5 Other Income**

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Residences, catering and conferences	387	241
Other income generating activities	11	20
Other funding body and agency income	694	767
Examination fee income	183	198
Creche fee income	137	141
Release deferred income (Horwich refurbishment)	26	26
Release deferred income (Excel)	-	13
Other income	460	460
	<u>1,898</u>	<u>1,866</u>

**6 Investment Income**

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Other interest receivable	133	15
Dividend receivable from Associate	56	-
	<u>189</u>	<u>15</u>

**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING 31 JULY 2011**

**7 Staff Costs**

The average number of persons (including senior post holders) employed by the College during the period, expressed as a full-time equivalent was:

	Year ended 31 July 2011	Year ended 31 July 2010
	FTE	FTE
Teaching staff	203	208
Non teaching staff	284	286
	<b>487</b>	<b>494</b>

**Staff costs for the above persons:**

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Wages and salaries	12,823	12,781
Social security costs	888	844
Other pension costs (including FRS17 adjustment of £(16k) (2010 (£19k))	1,550	1,544
<b>Payroll sub-total</b>	<b>15,261</b>	<b>15,169</b>
Contracted out staffing services	2,092	2,399
<b>Sub total</b>	<b>17,353</b>	<b>17,568</b>
Staff restructuring costs	20	1
<b>Total</b>	<b>17,373</b>	<b>17,569</b>

The number of senior post-holders and other staff who received emoluments, including pension contributions and benefits in kind, in the following range was:

	Senior post-holders		Other staff	
	Year ended 31 July 2011	Year ended 31 July 2010	Year ended 31 July 2011	Year ended 31 July 2010
	No.	No.	No.	No.
£60,001 to £70,000	-	-	5	3
£70,001 to £80,000	-	-	1	3
£80,001 to £90,000	1	-	-	-
£90,001 to £100,000	-	1	-	-
over £100,001	1	2	-	-
	<b>2</b>	<b>3</b>	<b>6</b>	<b>6</b>



**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING 31 JULY 2011**

**8 Senior Post-holders' Emoluments**

Senior post holders are defined as the Principal and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	Year ended 31 July 2011	Year ended 31 July 2010
The number of senior post-holders including the Principal was:	3	3
	£000	£000
Senior post-holders' emoluments are made up as follows:		
Salaries	251	268
Pension contributions	38	40
	<u>289</u>	<u>308</u>
The above emoluments include amounts paid to the highest paid senior postholder:		
Salary	94	114
Pension contributions	17	16
	<u>111</u>	<u>130</u>

In 2009/10, the highest paid senior postholder was the Principal. During 2010/11, the highest paid senior postholder was the Vice Principal who acted as Principal for a period in the year following the departure of the outgoing Principal and prior to the appointment of the replacement Principal.

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers Pension Scheme and the LGPF (Local Government Pension Fund) and are paid at the same rate as for other employees.

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

Senior post-holders, including the Principal and other higher paid staff received a pay increase of 0.5% from August 2010 in line with the general pay award.

**9 Other Operating Expenses**

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Teaching costs	1,259	1,164
Non teaching costs	4,474	3,924
Premises costs	1,194	1,154
	<u>6,927</u>	<u>6,242</u>
Other operating expenses include:		
Auditors' remuneration:		
- For the audit of the financial statements	15	18
- Other audit services provided by the financial statements auditor	1	-
- other advisory services	-	10
- Internal audit	26	21
Operating leases - hire of plant and machinery	215	274
Operating leases - rental of Horwich campus	270	270

**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING 31 JULY 2011**

**10 Interest and Other Finance Costs**

	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	2,528	1,584
Interest capitalised	-	(1,583)
On finance leases	(2)	(4)
Interest on Enhanced Pension Provision (note 20)	284	216
Pension finance costs (note 30)	218	422
	<b>3,028</b>	<b>635</b>

The College has two unsecured facilities with Barclays to finance the new build capital project. The bridge facility is on fixed rate basis at 5.2% per annum. The long term facility is currently at variable LIBOR plus lending margin of 1.5%. Post practical completion of the new college, £10million of the long term loan is fixed at 6.85% and the balance continues to be at a variable rate.

**11 Taxation**

The College is not liable for any corporation tax arising from its activities during this year.

**12 (Deficit)/surplus on Continuing Operations for the Period**

The (deficit)/surplus on continuing operations for the period is made up as follows:

	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
College's (deficit)/surplus for the period	(117)	1,135
	<b>(117)</b>	<b>1,135</b>

**13 Tangible Fixed Assets**

	Land and Buildings		Equipment	
	Assets under construction	Freehold		Total
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
As at 1 August 2010	62,381	7,872	5,113	75,366
Transfers	(62,381)	48,185	14,196	-
Additions	13	3,372	220	3,605
Disposals	-	(7,062)	(3,642)	(10,704)
As at 31 July 2011	<b>13</b>	<b>52,367</b>	<b>15,887</b>	<b>68,267</b>
<b>Depreciation</b>				
As at 1 August 2010	-	7,499	4,364	11,863
Charge for Period	-	1,044	2,047	3,091
Disposals	-	(7,062)	(3,538)	(10,600)
As at 31 July 2011	-	<b>1,481</b>	<b>2,873</b>	<b>4,354</b>
<b>Net Book Value</b>				
As at 31 July 2011	<b>13</b>	<b>50,886</b>	<b>13,014</b>	<b>63,913</b>
<b>Net Book Value</b>				
As at 1 August 2010	62,381	373	749	63,503

**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING 31 JULY 2011**

**13 Tangible Fixed Assets (continued)**

Assets under construction relate to the new build project which was approved by the National Capital Committee of the Learning and Skills Council on 22nd October 2008. The total cost of this project was £67m (excluding additional interest costs). Following the LSC Capital Committee approval capital grant funding was confirmed at an intervention rate of 84.3%. Following practical completion of the building in September 2010, the cost has been transferred to freehold land and buildings and equipment.

The cost of the new build includes £1.6m of capitalised interest (2009/10: £1.5m).

Land and buildings in relation to the Horwich campus with a net book value of £330,470 have been financed by exchequer funds, through for example the receipt of capital grants. Should these assets be the sold the College may be liable, under the terms of the Financial Memorandum with the Council, to surrender the proceeds.

The net book value of equipment includes an amount of £83,368 (2009/10: £216,990) in respect of assets held under finance leases. Depreciation charged in the year on these assets amounted to £133,624 (2009/10: £147,570).

**14 Investments**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Investments	1	1
	<u>1</u>	<u>1</u>

Investments relate to stock held in trust to provide annual prizes for students.

On 30th September 2010, the College acquired 100 shares £1 ordinary shares in Watertrain Limited at par, representing 50% of the issued share capital. The total consideration paid was £100. Watertrain Limited is a company incorporated in the United Kingdom and whose principal activity is the training of apprentices in the utilities sector.

Management consider Watertrain Limited to be an associated company of the College on the basis that, through its shareholding and board representation, the College can exert significant influence over the company. However the College cannot exert control over Watertrain Limited.

However, as described in the accounting policies on page 28, the College has not prepared consolidated accounts on the basis that the activity of Watertrain Limited is immaterial.

**15 Debtors**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>		
Trade debtors	471	367
Other debtors	169	-
Prepayments and accrued income	652	364
Amounts owed by the Skills Funding Agency within one year	-	15,463
	<u>1,292</u>	<u>16,194</u>
<b>Amounts falling due after one year</b>		
Other debtors	57	-
Amounts owed by the Skills Funding Agency after one year	14,547	26,024
	<u>14,604</u>	<u>26,024</u>

**16 Cash at Bank**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Restricted cash and short term investments	16,596	3,571
Cash and short term investments	2,748	2,940
	<u>19,344</u>	<u>6,510</u>

As part of the bridge facility with Barclays Bank, the College is required to borrow funds in line with an agreed month by month borrowing limit. All funds have to be drawdown with any excess over required expenditure to be deposited in a restricted deposit account with Barclays, only to be released to match new build capital expenditure.

**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING 31 JULY 2011**

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

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Bank loans	16,719	-
Obligations under finance leases	76	134
Trade creditors	78	248
Other taxation and social security	5	-
Deferred income	255	575
Accruals	1,004	1,128
Other creditors	955	3,760
Amounts owed to the Skills Funding Agency /Young Peoples' Learning Agency	202	77
	<b>19,294</b>	<b>5,922</b>

Other creditors includes £872,625 (2009/10 £3,740,857) in respect of outstanding invoices relating to the new build project.

**18 Creditors: Amounts falling due after one year**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Bank loans	20,683	48,223
Obligations under finance leases	-	76
Deferred income - Horwich refurbishment	158	184
	<b>20,841</b>	<b>48,483</b>

**19 Analysis of Borrowings of the College**

**(a) Bank Loans and Overdrafts**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
In one year or less	16,719	-
Between one and two years	13,249	31,784
Between two and five years	929	14,170
In five years or more	6,504	2,269
	<b>37,402</b>	<b>48,223</b>

The College has two unsecured facilities with Barclays to finance the new build capital project. The bridge facility, £39.7m, repayable on receipt of the final funding body capital grant in May 2013 is on fixed rate basis at 5.2% per annum. The long term facility, £12.65m, is currently at variable LIBOR plus a lending margin of 1.5%. Post practical completion of the new college, £10 million of the long term loan is fixed at 6.85% and the balance continues at a variable rate.



**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING 31 JULY 2011**

**19 Analysis of Borrowings of the College (continued)**

**(b) Finance Leases**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
The net finance leases to which the College is committed are:		
In one year or less	76	134
Between two and five years	-	76
	<u>76</u>	<u>210</u>

**20 Provisions for Liabilities and Charges**

	<b>Excel</b>	<b>Horwich</b>	<b>Enhanced Pension</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 August 2010</b>	100	120	3,257	3,477
Expenditure in the period	-	-	(218)	(218)
Transferred to income and expenditure account	(100)	10	284	194
<b>At 31 July 2011</b>	<u>-</u>	<u>130</u>	<u>3,323</u>	<u>3,453</u>

The Excel provision relates to the compensation payment which has been agreed with Bolton Council in respect of the termination of the Council's joint venture agreement with the Excel Centre within the College's Manchester Road building. The dissolution date of the partnership between the College and Bolton Council was agreed as the 31 July 2010, when this compensation payment became due. The provision was settled in full during the year ended 31 July 2011.

The Horwich provision relates to a legal obligation to return the leased building to its original state on termination of the agreement in 2017. However, under the lease, the College has the option to purchase the property within six months of the date of termination at a price determined by a formula in the lease. At present, the College has no firm intention in this regard.

Provisions in respect of 'Enhanced Pension' relate to the estimated costs to the College of enhanced early retirement benefits received by former employees e.g. added years of service. This provision has been recalculated in accordance with guidance issued by the Association of Colleges, using the agreed change to the Consumer Price Index for future pension increases.

The principal assumptions for this calculation are:

	<b>2011</b>	<b>2010</b>
Interest rate	5.36%	5.40%
Net interest rate	2.75%	3.00%

**21 Deferred Capital Grants**

	<b>Funding Body Grants</b>	<b>Other Grants</b>	<b>Total Grants</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 August 2010</b>	52,292	14	52,306
Cash received	4,976	172	5,148
Released to income and expenditure account	(4,036)	(9)	(4,045)
<b>Total</b>	<u>53,232</u>	<u>177</u>	<u>53,409</u>

**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING 31 JULY 2011**

**22 Revaluation Reserve**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Inherited Buildings</b>		
At 1 August 2010	-	2,786
Transfer from revaluation reserve to general reserve in respect of:		
- Depreciation on revalued assets	-	(340)
- Release on disposal of Manchester Road		(2,446)
<b>At 31 July 2011</b>	<b>-</b>	<b>-</b>

**23 Movement on General Reserves**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Income and Expenditure Account</b>		
At 1 August	(5,634)	(10,864)
Retained (deficit)/surplus for the year	(117)	1,135
Transfers from revaluation reserve	-	2,786
Actuarial gain/(loss) in respect of pension scheme (note 30)	3,612	(390)
Past service gain on pension liability (note 30)	-	1,699
<b>At 31 July</b>	<b>(2,139)</b>	<b>(5,634)</b>

Balance represented by:

Pension reserve	(4,317)	(7,695)
Income and expenditure account reserve excluding pension reserve	2,178	2,061
<b>At 31 July</b>	<b>(2,139)</b>	<b>(5,634)</b>

**Restricted Reserve (Trust Funds)**

<b>At 1 August and 31 July</b>	<b>6</b>	<b>6</b>
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**24 Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities**

	<b>Year ended</b>	<b>Year ended</b>
	<b>31 July 2011</b>	<b>31 July 2010</b>
	<b>£000</b>	<b>£000</b>
Surplus on continuing operations after depreciation of assets at valuation.	(117)	1,135
Depreciation (note 13)	3,091	839
Deferred capital grants released to income (note 21)	(4,044)	(38)
Loss on disposal of tangible fixed assets	104	-
Other interest payable (note 10)	2,525	(2)
FRS17 pension cost less contributions payable (notes 7 and 30)	16	19
FRS17 pension finance cost (note 30)	218	422
Increase in stocks	(4)	(4)
Decrease/(increase) in debtors	167	(269)
(Decrease)/increase in creditors	(447)	159
Decrease in provisions	(24)	(262)
Interest receivable (note 6)	(133)	(15)
<b>Net cash inflow from operating activities</b>	<b>1,352</b>	<b>1,984</b>

**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING 31 JULY 2011**

**25 Returns on Investments and Servicing of Finance**

	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Interest received	133	15
Interest paid	(2,607)	(1,581)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(2,474)</b>	<b>(1,566)</b>

**26 Capital Expenditure and Financial Investment**

	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Purchase of tangible fixed assets	(6,618)	(43,564)
Proceeds on sale of tangible fixed assets	-	2,424
Deferred capital grants received	31,529	6,476
<b>Net cash inflow/(outflow) for capital expenditure and financial investment</b>	<b>24,911</b>	<b>(34,664)</b>

**27 Financing**

	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
New unsecured loans repayable by 2020	1,654	39,791
Repayment of amounts borrowed	(12,475)	-
New finance leases	-	231
Capital element of finance lease rental payments	(134)	(150)
<b>Net cash (outflow)/inflow from financing</b>	<b>(10,955)</b>	<b>39,872</b>

**28 Analysis of change in net debt**

	At 1 August 2010 £000	Cashflows £000	At 31 July 2011 £000
Cash in hand, and at bank	6,510	12,834	19,344
	<u>6,510</u>	<u>12,834</u>	<u>19,344</u>
Debt due within 1 year	-	(16,719)	(16,719)
Debt due after 1 year	(48,223)	27,540	(20,683)
Finance leases	(210)	134	(76)
<b>Total</b>	<b>(41,923)</b>	<b>23,789</b>	<b>(18,134)</b>

# **BOLTON COLLEGE**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING 31 JULY 2011**

### **29 Major Non-cash Transactions**

There were no major non-cash transactions to report.

### **30 Pensions and Similar Obligations**

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

<b>Total pension cost for the year</b>	<b>2011 £000</b>	<b>2010 £000</b>
Teacher's Pension Scheme: Contributions paid	836	850
Local Government Pension Scheme:		
Contributions Paid	696	675
FRS17 charge	<u>16</u>	<u>19</u>
Charge to the Income & Expenditure Account (staff costs)	712	694
<b>Total Pension Cost for Year</b>	<b><u>1,548</u></b>	<b><u>1,544</u></b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was at 31 March 2004 and on the LGPS 31 March 2010.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

#### **Teachers' Pension Scheme**

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a "pay as you go" basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates.

The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective Benefits
Investment returns per annum	6.5% per annum
Salary scale increases per annum	5.0% per annum
Notional value of assets at date of last valuation	£162,650 million

Proportion of members' accrued benefits covered by the notional value of the assets	98.88%
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Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the Government Actuary carried out a further review on the level of employers' contributions. For the year to 31 July 2011 the employer contribution was 14.1%. The employee rate was 6.4% for the same period.

An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

#### **FRS 17**

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.



**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING 31 JULY 2011**

**30 Pensions and Similar Obligations (Continued)**

**Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2011 was £956,000 of which employer contributions totalled £696,000 and employee contributions totalled £260,000. The agreed employers contribution rates for future years is 17.3%. Employees contribution rates are now banded dependant on defined pay bands, the rates varying from 5.5% to 7.5%.

**FRS 17**

<b>Principal Actuarial Assumptions</b>	<b>At 31 July 2011</b>	<b>At 31 July 2010</b>
Rate of increase in salaries	4.50%	4.90%
Rate of increase for pensions in payment/inflation	2.70%	2.90%
Discount rate for scheme liabilities	5.30%	5.40%
Commutation of pensions to lump sums	50%	50%

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

	<b>At 31 July 2011</b>	<b>At 31 July 2010</b>
<i>Retiring today</i>		
Males	20.10	20.80
Females	22.90	24.10
<i>Retiring in 20 years</i>		
Males	22.50	22.80
Females	25.00	26.20

The assets in the scheme and the expected rates of return were:

	<b>Long-term rate of return expected at 31 July 2011</b>	<b>Value at 31 July 2011 £000</b>	<b>Long-term rate of return expected at 31 July 2010</b>	<b>Value at 31 July 2010 £000</b>
Equities	7.0%	14,020	7.3%	12,360
Bonds	4.6%	3,917	4.8%	2,687
Property	5.1%	1,031	5.3%	1,075
Cash	4.0%	1,649	4.4%	1,791
<b>Total Market Value of assets</b>		<b>20,617</b>		<b>17,913</b>
<b>Present Value of scheme liabilities</b>				
- Funded		(24,934)		(25,608)
- Unfunded		-		-
<b>Deficit in the scheme</b>		<b>(4,317)</b>		<b>(7,695)</b>

**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING 31 JULY 2010**

**30 Pensions and Similar Obligations (continued)**

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

	<b>Year Ended 31 July 2011 £000</b>	<b>Year ended 31 July 2010 £000</b>
Employer service cost (net of employee contributions)	712	694
<b>Total operating charge</b>	<b>712</b>	<b>694</b>

**Analysis of pension finance income**

Expected return on pension scheme assets	1,169	1,013
Interest on pension liabilities	(1,387)	(1,435)
<b>Pension finance cost</b>	<b>(218)</b>	<b>(422)</b>

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

The amounts recognised in the statement of total recognised gains and losses are as follows:

Actuarial gain/(loss)	3,612	(390)
Past service gain	-	1,699
	<b>3,612</b>	<b>1,309</b>

**Movement in deficit during year**

Deficit in scheme at 1 August	(7,695)	(8,563)
Movement in year:		

Employer service cost (net of employee contributions)	(712)	(694)
Employer contributions	696	675
Past service gain	-	1,699
Net return on assets	(218)	(422)
Actuarial gain/(loss)	3,612	(390)

<b>Deficit in scheme at 31 July</b>	<b>(4,317)</b>	<b>(7,695)</b>
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**Asset and Liability Reconciliation**

	<b>2011 £'000</b>	<b>2010 £'000</b>
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**Reconciliation of Liabilities**

<b>Liabilities at start of period</b>	<b>25,608</b>	<b>23,748</b>
Current service cost	712	694
Interest cost	1,387	1,435
Employee contributions	260	262
Actuarial (gain)/loss	(2,267)	1,781
Benefits paid	(766)	(613)
Past service gain	-	(1,699)
<b>Liabilities at end of period</b>	<b>24,934</b>	<b>25,608</b>

**Reconciliation of Assets**

<b>Assets at start of period</b>	<b>17,913</b>	<b>15,185</b>
Expected return on assets	1,169	1,013
Actuarial gain	1,345	1,391
Employer contributions	696	675
Employee contributions	260	262
Benefits paid	(766)	(613)
<b>Assets at end of period</b>	<b>20,617</b>	<b>17,913</b>

The estimated value of employer contributions for the year ended 31 July 2012 is £727,000.

In July 2010, the government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The College considered the LGPS scheme rules and associated members' literature and concluded that as a result, a revised actuarial assumption about the level of inflation indexation should be made, with the resulting gain of £1,699,000 recognised through the Statement of Total Recognised Gains and Losses (STRGL).

**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING 31 JULY 2011**

**30 Pensions and Similar Obligations (Continued)**

History of experience gains and losses	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Difference between the expected and actual return on assets:	1,345	1,391	(1,362)	(4,393)	503
Experience gains/(losses) on scheme liabilities:	1,237	-	-	1,015	423
Total amount recognised in STRGL	3,612	(390)	(3,920)	(2,546)	2,587

**31 Capital Commitments**

The College has no other capital commitments at 31 July 2011.

**32 Financial Commitments**

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

	31 July 2011 £000	31 July 2010 £000
<b>Land and Buildings</b>		
Expiring in over five years	270	270
	<u>270</u>	<u>270</u>
<b>Other</b>		
Expiring between two and five years inclusive	102	362
	<u>102</u>	<u>362</u>

**34 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.

Transactions with the SFA, YPLA and HEFCE are detailed in notes 2, 15, 17, 20 and 21.

During the year, the College invoiced Watertrain Limited, its associated company, amounts totalling £111,000 (2010: £nil) for provision delivered on its behalf. As at 31 July 2011, no amounts were owed to the College by Watertrain Limited (2010:£nil).

**BOLTON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING 31 JULY 2011**

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**35 Amounts disbursed as agent**

	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
<b>Learner Support Funds</b>		
Funding body grants - Hardship support	222	233
Funding body grants - Childcare	175	152
Other Funding Body grants	2	2
Interest Earned	1	1
	<u>400</u>	<u>388</u>
Disbursed to Students	(294)	(302)
Administration costs	(20)	(19)
	<u>86</u>	<u>67</u>
Balance unspent as at 31 July, included in creditors		