
BOLTON COLLEGE

Report and Financial Statements
Year Ended 31 July 2013

BOLTON COLLEGE
FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2013

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BOLTON COLLEGE

OPERATING AND FINANCIAL REVIEW

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2013.

Legal Status

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

Mission

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

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

Implementation of the College's Strategic Framework

The College Strategic Framework 2011-14 was re-confirmed by the Corporation in December 2012. It provides a broad overview of the context in which the College operates, its mission, values and key aims. The overarching key aims of the Strategic Framework 2011-14 are supported by operational objectives which in turn have underpinning actions, key performance indicators and/or targets as appropriate. The responsibility for delivery of and monitoring progress against, the plan is assigned to the Senior Management Team with appropriate oversight by the Governing Body.

The College's overarching key aims are:

- to be outstanding in all we do;
- to be positively proactive and highly responsive in meeting the needs of individuals, businesses and communities;
- to provide excellent service to our customers and colleagues;
- to have outstanding financial health with the ability to invest in the future.

It was agreed that, in such a rapidly changing environment, the Strategic Framework, key aims and 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. Significant operational objectives for the College across the three year period can be summarised as follows:-

- Ensure high quality, inspirational Teaching & Learning and aspirational curriculum, maintaining College performance in the top quartile for all colleges within the sector and increasing teaching and learning grade profile from 84% good or better to 90% good or better by 2014;
- Increase participation in learning and improve skills levels for young people and adults in Bolton by improving adult success rate by 1% annually, from 83% to 86% by 2014, improving adult progression rates from by 2% annually to 2014, and increasing participation of 16-18 learners by 80 for 2012/13 from 2281 to 2361.

BOLTON COLLEGE

OPERATING AND FINANCIAL REVIEW (continued)

- Work in partnership with schools to promote vocational pathways to careers and through impartial IAG, enable informed progression into post-16 learning thus positioning the college as the first choice for learning in Bolton, and thereby increasing the number of schools accessing college provision for their 14-16 year olds as offered within the college's School Partnership Booklet to 4 in 2012, 6 in 2013 and 10 in 2014.
- Continue to grow 16-18 learner numbers as a percentage of the Borough's 16-18 cohort, ensuring that our curriculum reflects local and regional employment and progression opportunities, and thereby increasing the number of funded 16-18 places by 3% year on year, (from baseline of 2,361 in 2012/13), growing Level 3 Provision for 16-18 year olds by at least 1% annually (from baseline of 29% 2011/12) and developing a curriculum for Engineering provision in preparation for the new build in 2013 and to work with University of Bolton and Bolton Sixth Form College and the Education Zone to develop shared provision around STEM and Health/Sports over 2012/13.
- Increase the range and number of apprenticeship opportunities for young people and become the provider of choice for young people and employers.
- Work in partnership to provide an enhanced HE curriculum to ensure an increase in progression opportunities and improve HE success rate by 1% annually from 86% in 2011/12 to 88% in 2013/2014.
- Work with Bolton Council and partners to plan and successfully deliver high quality and efficient Community Learning (CL) for our Community, and achieve success rate improvement targets by 1% annually from 92% to 95% by 2014.
- Pursue the College's Financial Strategic objectives for annual operating surplus and annual cash generation (before investment) and ensure compliance with bank covenants.
- Maintain financial viability and excellent control in order to achieve outstanding financial health as defined by the Funding Body.
- Ensure that the 2nd phase of the Capital Build Project is successfully completed and the new STEM Centre is completed and operational as planned by Spring 2014

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) 2012/13

The College achieved 99% of its Education Funding Agency (EFA) funding for learner responsive young people (16-18). This was reflected in student volumes of 2,183 against a target of 2,361. Adult Learner Responsive (ALR) provision also achieved the initial funding target of £4,266,460. As the single adult skills budget provided the College with increased flexibilities, additional over achievement allowed the College to vire funding from Work Based Learning (WBL) delivery, which can be seen from the increased internal target for LR from the Adult Skills Budget (ASB) (see 19+ funding below):-

Table information as at 10th October 2013

Age Group	Target	Actual	Difference	Percentage of target
16-18 Learners	2,361	2,183	-178	92%
19+ Learners	3,687	3,818	+131	104%
16-18 SLN	2,465.19	2,443.58	-21.61	99%
19+ SLN	1663.43	1743.36	+79.93	105%
16-18 Funding	£8,977,137	£8,898,397	- £ 78,739.30	99%
19+ Funding	£4,871,635	£4,820,819	-£ 50,816	99%

Community Learning (CL)

The College continued to attain a good level of successful achievements of key targets for the CL contract held with Bolton Local Authority and, in 2012/13, the College sought to maintain learner volume and enrolments (see below). Targets for year were achieved for total learners of 8,314.

Table information as of 22nd October 2013

	12-13 Targets	Actual at 22/10/2013	% of Target
PCDL	5,798	6,103	105%
NLDC	450	607	135%
FEML	752	1,198	159%
TOTAL	7,500	8,314	111%

BOLTON COLLEGE OPERATING AND FINANCIAL REVIEW

Work Based Learning (WBL) Success Rates

Success rates are key performance indicators that are monitored by the Skills Funding Agency (SFA). In recognition of the downturn in the economy and a poor success rate achievement for 2011/12, the success rate target for 2012/13 was maintained at 75%. The overall success rate of the College for 2012/13 was 64%, some 11% under the national benchmark, as identified below:

Area	2010/11 Target	2010/11 Outturn	2011/12 Target	2011/12 Outturn	2012/13 Target	2012/13 Outturn
Apprenticeship Framework only (NVQ) Achievement	75%	74%	75%	64%	75%	64%
	N/A	(79%)	N/A	(69%)	N/A	(72%)

The success rate achievement has declined over the last three years and has outturned at a poor 64%. This level of success presents a significant issue and, accordingly, the College has, therefore, initiated a rigorous and detailed improvement plan.

The College achieved funding of £1,025,931 for 16-18 year olds and £1,306,372 for adult apprentices.

The target for the total adult single budget was £6,270,290 against which the College achieved 99% of this and outturned at £6,204,300. A clawback of £65,990 is expected.

Other Workplace Learning (OWL)

As a result of changes in Government policy, other workplace learning was discouraged by the SFA in favour of a growth in apprenticeships. In compliance with the initial guidance, the College planned to reduce recruitment through partners and to limit internal activity. As a result the activity reduced from £440k in 2010/11 to just £30k in 2011/12. The guidance has now softened somewhat and has resulted in the College delivering £77,107 of activity set against a target of £139,479 for 2012/13. This under achievement of £62,372 provided for the majority of the under achievement of the ASB.

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 2010/11	Actual 2010/11	Target 2011/12	Actual 2011/12	Target 2012/13	Actual 2012/13
Success Rates	95%	90%	95%	96%	95%	98%

BOLTON COLLEGE

OPERATING AND FINANCIAL REVIEW (continued)

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.*”

In addition, the other financial objectives reviewed and approved by the Corporation in July 2012 fully support this key objective. The performance against these objectives has been creditable during 2012/13, the outturns being:-

- a positive cash flow from operations of £613k - achieved £1,159k;
- cash days in hand of 22.80 – achieved 100.35;
- a current ratio of 1.15:1 – achieved 1.93:1;
- an operating surplus before exceptional charges, taxation, past service cost gain and FRS17 adjustment of £293k – achieved £454k surplus; and
- a positive balance on general reserves (Income & Expenditure Reserve account) £1,256k – achieved £1,603k.

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 performance in terms of contribution to national targets. The key targets are:-

- 2,187 16 -18 learner numbers and £9,124,593 programme funding;
- 16-18 apprenticeship funding of £1,051,720;
- Adult skills budget including adult apprenticeships – funding of £5,468,999 which includes £439,000 assumed additional learning support.

In 2012/13 the College failed to achieve its 16-18 learner number target but slightly over achieved the 16-18 apprenticeship contract value. The College achieved 99% of its Adult Skills Budget.

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

The College was last inspected in 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)

Performance Indicators (continued)

Framework for Excellence

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

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

Finance Indicators

The College is committed to observing the importance of the measures and indicators and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency. The current rating of Good is considered an acceptable outcome.

FINANCIAL POSITION

Financial results

Income decreased compared to 2011/12 by 4.6% (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 2012/13, the funding bodies provided 88% of the College’s total income (2011/12 88%).

The College incurred an operating surplus in the year of £68k (2011/12 £1,150k deficit).

The College’s Deane Road 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 2013, the College has capitalised costs of £67.4 million on the Deane Road campus project. These costs have been met by the Skills Funding Agency (£57.1m), with the balance being borrowed from Barclays Bank.

The College had 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 Deane Road project. At July 2013, the College had fully utilised the long term loan and borrowed £14.4m of the bridge facility, the latter having been fully repaid in May 2013 on receipt of the final tranche of grant.

The Facilities Agreements include financial covenants with which the College has to comply.

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.

BOLTON COLLEGE

OPERATING AND FINANCIAL REVIEW (continued)

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

16-18 Learners

In 2012/13, the College delivered activity sufficient to achieve the income target of £8,898,397 for young people including disadvantaged learners and £4,820,819 for adult FE funding. This was derived from 2,183 16-18 year olds and 3,818 adult learners. In addition, the College also supported 28 learners aged 19-24 who had learning difficulties and disabilities.

The College has experienced sustained growth in 16 – 18 year old learners for a number of years. Unfortunately this did not extend to the outturn for 2012/13 as the College failed to meet the number target by 178, the main reasons therefor being:-

- A much lower demography for the 16-18 year old cohorts;
- Increased levels of GCSE attainment at 5 A-C grades which enabled more learners in a shrinking cohort to choose A level study;
- Bolton Council delivered a European Social Fund (ESF) project with 3rd sector organisations to move 16-18 year olds into employment, this supported 500 young people within Bolton;
- The demise of the Educational Maintenance Allowance (EMA), and
- Increased competition within the area.

As learner volumes failed to meet the target for the year, a reduction in the 16-18 year old volume targets for 2013/14 resulted. In addition, the changes to funding methodology which were due to apply for 2013/14 necessitated amendments in 2012/13 to curriculum thereby producing a further reduction in 16/18 funding levels in 2012/13. The College has a strategy to increase the funding per learner head by looking at a higher proportion of the 16-18 cohort who will be achieving more than 540 hours of study programme. The new funding methodology has been fully embraced by the College and a much greater emphasis is now placed on full-time programmes of study.

Adults

Adult funding was more flexible in 2012/13 as it formed part of the Adult Skills Budget (ASB), thereby permitting part of the adult skills budget from apprenticeships to be vired into the classroom based activity. The final funding agreement from the Skills Funding Agency (SFA) identified that there was an expectation for Adult Learner Responsive funding to generate £4,266,460 against which the outturn was £4,820,819 representing a performance of 114% of target and a virement of £554,359.

Learner achievements

After many years of increasing overall success rates, the College saw the first reduction of 2% as the outturn finished at 84% in 2012/13, a significant contributory factor being greater reductions in adult success rates due to a reduction in retention of some 4% overall.

Long programmes for young people outturned at 83% success which was the same figure as in 2011/12 and is expected to be around national average.

Long programmes for adults has outturned at 81%, this is 2% lower than in 2011/12 but remains 1% above expected national averages.

BOLTON COLLEGE

OPERATING AND FINANCIAL REVIEW (continued)

Curriculum developments

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

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

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

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, Bolton and the community. Developments include an emphasis on STEM subject and level 3/4 programmes, consistent with the new STEM Centre strategy and building.

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

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

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

In 2012/13 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 to ensure an effective communication strategy.

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

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

BOLTON COLLEGE OPERATING AND FINANCIAL REVIEW (continued)

Future developments

The new campus at Deane Road has met its objectives in terms of improved capacity and the College continues to seek to increase 16 -18 student numbers. It is envisaged that the proposed new STEM centre, being built adjacent to the Deane Road campus and to be completed Spring 2014 will further support widening participation in Bolton, in particular the 16-18 cohort.

The College also aims to improve efficiency where possible. Reductions in funding for two consecutive years have required considerable savings. The restructure prior to 2012/13 removed costs of £1.5m and a further £900k savings were put in train to impact upon the 2013/14 budget. This was achieved through a wide range of efficiency measures including partial withdrawal from the Horwich campus, termination or renegotiating a range of service contracts and reducing nursery provision.

Additionally, the College plans to reduce dependency on the Skills Funding Agency and is pursuing a range of opportunities particularly in the areas where the College currently performs well.

RESOURCES

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

People

The College employs 423 people (expressed as full time equivalents) at 31 July 2013. Of this number 159 FTE are teaching staff. A staffing agency is used to supply staff for curriculum delivery where demand does not justify the employment of a permanent full time or fractional member of staff.

Reputation

The College has a good reputation locally and nationally. This is essential for the College's success at attracting learners and employers. The Principal and Senior Management Team actively pursue external relationships which have strategic relevance.

Financial

The College has £43 million of net assets (including a £6.2 million pension liability) and long term loans of £11.6 million at 31 July 2013.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has robust systems of internal control, including financial, operational and risk management which are 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.

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.

Risk management as a process is well embedded across the College and a risk management training programme is in place which can be rolled out when required.

BOLTON COLLEGE OPERATING AND FINANCIAL REVIEW (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The principal risk factor that may affect the College relates to Government funding as the College has considerable reliance on continued government funding through funding agencies. In 2012/13, 88.0% of the College's revenue was ultimately public funded. As there can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms, the College mitigates the risk of funding reductions by ensuring high quality provision, working with partner providers directly or indirectly, ensuring appropriate focus and investment is placed on maintaining and managing key relationships with the various funding bodies, focusing on priority sectors which will continue to benefit from public funding and regular dialogue with the funding organisations. In addition, the College is pursuing more commercial and full cost activity to increase income.

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.

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.

STAKEHOLDER RELATIONSHIPS

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

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

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

Equal opportunities and employment of disabled persons

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

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

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the positive about disabled standard. The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. A single equality action plan is published each year and monitored by members of the Equality and Diversity Committee, managers and governors.

BOLTON COLLEGE

OPERATING AND FINANCIAL REVIEW (continued)

Disability Statement

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


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

BOLTON COLLEGE
OPERATING AND FINANCIAL REVIEW (continued)

Disclosure of information to auditors

The governors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware, and each governor has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 9th December 2013 and signed on its behalf by:



Mr. G Evans

[Chair]

BOLTON COLLEGE OPERATING AND FINANCIAL REVIEW (continued)

Professional Advisors

Financial Statements and Regularity Auditors:
Grant Thornton UK LLP
Chartered Accountants and Registered Auditor
No1 Whitehall Riverside
Leeds
LS1 4BN

Internal Auditors:
RSM Tenon
Chartered Accountants
Arkwright House
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M3 2LF

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	M3 3HF

Solicitors:
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George Davies Solicitors LLP)
8th 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 ("the Code") issued by the Financial Reporting Council (FRC) 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 2013. The Governing body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all time. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in March 2012.

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 2012/13.

Member	Date Appointed	Term of Office	Date Resigned	Status of Appointment	Committees Served
Mr G. Evans (Chair from 1 st January 2012 and former Vice Chair)	20/07/00 19/07/08 20/07/12	4 years		Member	Employment , Remuneration, Search and Governance
Cllr P. Ashcroft	01/09/08 01/09/12	4 years		Member	Audit
Ms S. Bain	28/03/07 27/03/11	4 years		Member	Standards
Mr D. Buckle	26/03/10	4 years		Member	Finance & GP, Search & Governance
Ms. M. Gilluley	01/05/11			Principal/Chief Executive	All except Audit
Mr N. Kerrigan	23/03/11	4 years		Staff Member	Standards
Mr J. Lord	14/01/11	4 years	19/04/13	Member	Finance & GP
Mr G. Mistry	12/12/09	4 years		Staff Member	Employment
Ms S. Nixon	01/09/07 01/09/11	4 years		Member	Employment
Mr J. Patel	07/12/09 07/12/12	4 years		Member	Audit
Mr R. Peet	08/07/09 07/07/12	4 years		Member	Search & Governance
Mr A. Roberts	15/07/11	4 years		Member	Finance and General Purposes
Mrs B. Ronson (Vice Chair from 1 st January 2012)	29/09/04 19/07/08 19/07/12	4 years		Member	Audit,, Standards, Remuneration
Mrs J. Smith	26/03/10	4 years		Member	Standards, Remuneration
Mr P. Syddall	10/12/08 10/12/12	4 years		Member	Finance & GP
Cllr L.Thomas	14/06/00 19/06/04 19/07/08 19/07/12	4 years		Member	Remuneration committee
Mr D. Valji	07/12/09 07/12/12	4 years		Member	Employment
Mrs S. Woolridge	19/07/11	4 years	13/04/13	Member	Audit and Employment
Miss D Conn	19/09/12	2 years		Student Member	Search and Governance
Miss s Martin	19/09/12	2 years		Student Member	Search and Governance

Mr P. Ryan is the Clerk to the Corporation.

BOLTON COLLEGE

STATEMENT ON CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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)

Remuneration Committee

Throughout the year ending 31 July 2013, 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 2013 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 2013 and up to the date of approval of the annual reports and accounts.

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

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 2013 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.

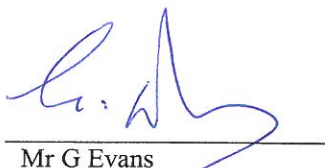
BOLTON COLLEGE
STATEMENT ON CORPORATE GOVERNANCE AND INTERNAL
CONTROL (continued)

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 2013 meeting the Corporation carried out the annual assessment for the year ended 31 July 2013 by considering documentation from the senior management team and internal audit, taking account of events since 31 July 2013.

Going Concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to invest further in its estate in 2012/13 and 2013/14, provide for any contingency in the event that funding reductions through government agencies are greater than currently envisaged in 2013/14 and can therefore 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 9th December 2013 and signed on its behalf by:



Mr G Evans

Chair of the Corporation



Ms. M Gilluley

Principal

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

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation, through its 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 for 2012-13 financial statements issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the college and the results for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the college will continue in operation.

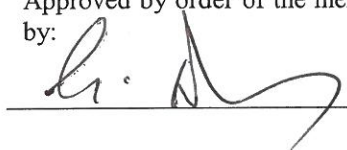
The Corporation is also required to prepare an Operating and Financial Review which describes what it is seeking to do and how it is going about it, including the legal and administrative status of the College.

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 9th December 2013 and signed on its behalf by:



Mr G Evans

Chair of the Corporation

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

We have audited the financial statements of Bolton College for the year ended 31 July 2013 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).

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 2013 and of the College's surplus 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

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
Statutory Auditor
Chartered Accountants
Leeds

Grant Thornton UK LLP

Date : 16 December 2013

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

In accordance with the terms of our engagement letter dated 21 June 2011 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 2013 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 2013 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 2013 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
Leeds

Date: 16 December 2013

BOLTON COLLEGE
INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 JULY 2013

	Notes	Year Ended 31 July 2013	Year Ended 31 July 2012
		£000	£000
INCOME			
Funding body grants	2	24,552	25,631
Tuition fees and education contracts	3	1,886	1,842
Research grants and contracts	4	83	88
Other income	5	1,175	1,296
Endowment and investment income	6	139	310
Total Income		27,835	29,167
EXPENDITURE:			
Staff costs	7	16,516	17,451
Exceptional restructuring costs	7	32	1,016
Other operating expenses	9	6,897	6,926
Depreciation	13	2,721	2,678
Interest and other finance costs	10	1,601	2,246
Total expenditure		27,767	30,317
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and before tax		68	(1,150)
Taxation	11	-	-
Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation, tax and exceptional items	12	68	(1,150)

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

BOLTON COLLEGE
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2013

	Notes	Year Ended 31 July 2013	Year Ended 31 July 2012
		£000	£000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation, tax and exceptional items		68	(1,150)
Actuarial gain/(loss) in respect of pension scheme	30	2,783	(4,158)
Total recognised gains/(losses) since last report		2,851	(5,308)

Reconciliation

Opening reserves	(7,441)	(2,133)
Total recognised gains/(losses) for the year	2,851	(5,308)
Closing reserves	(4,590)	(7,441)

BOLTON COLLEGE
STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 JULY 2013

	Notes	Year Ended 31 July 2013	Year Ended 31 July 2012
		£000	£000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation, tax and exceptional items		68	(1,150)
Historical cost surplus/(deficit) for the year after taxation		68	(1,150)

BOLTON COLLEGE

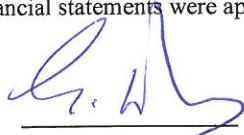
BALANCE SHEET

AS AT 31 JULY 2013

	Notes	31 July 2013 £000	31 July 2012 £000
Fixed assets			
Tangible assets	13	60,714	61,995
Investments	14	<u>1</u>	<u>1</u>
Total fixed assets		<u>60,715</u>	<u>61,996</u>
Debtors due after more than one year	15	20	20
Current assets			
Stock		31	29
Debtors due within one year	15	632	14,618
Cash at bank and in hand	16	<u>7,137</u>	<u>6,660</u>
Total current assets		<u>7,800</u>	<u>21,307</u>
Less : Creditors amounts falling due within one year	17	<u>(4,040)</u>	<u>(15,629)</u>
Net current assets		<u>3,760</u>	<u>5,678</u>
Total assets less current liabilities		64,495	67,694
Less: Creditors amounts falling due after more than one year	18	(11,849)	(12,074)
Less: Provisions for liabilities and charges	20	(3,417)	(4,474)
Net assets excluding pension liability		<u>49,229</u>	<u>51,146</u>
Net pension liability	30	(6,199)	(8,596)
NET ASSETS INCLUDING PENSION LIABILITY		<u><u>43,030</u></u>	<u><u>42,550</u></u>
Deferred capital grants	21	47,620	49,991
Income & expenditure account excluding pension reserve	22	1,603	1,149
Pension reserve	30	<u>(6,199)</u>	<u>(8,596)</u>
Income & expenditure account including pension reserve		<u>(4,596)</u>	<u>(7,447)</u>
Restricted reserve	22	6	6
Total reserves		<u>(4,590)</u>	<u>(7,441)</u>
TOTAL FUNDS		<u><u>43,030</u></u>	<u><u>42,550</u></u>

The notes on pages 27 to 45 form part of these financial statements.

The financial statements were approved by the Corporation on the 9th December 2013 and were signed on it's behalf by :



Mr. G.Evans
Chair



Ms Marie Gilluley
Principal

BOLTON COLLEGE
CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2013

	Notes	Year Ended 31 July 2013 £000	Year Ended 31 July 2012 £000
Cash inflow from operating activities	23	1,159	2,129
Returns on investments and servicing of finance	24	(1,132)	(1,726)
Capital expenditure and financial investment	25	13,010	(311)
Financing	26	(12,560)	(12,777)
Increase in cash in the year		<u>477</u>	<u>(12,685)</u>
Reconciliation of net cash flow to movement in net debt			
		£000	£000
Increase in cash in the year		477	(12,685)
New loans	26	(545)	(4,018)
Loan repayments	27	13,304	16,719
Net finance lease repayments	27	(199)	76
Movement in net debt in the year		<u>13,037</u>	<u>92</u>
Net debt at 1 August	27	(18,041)	(18,134)
Net debt at 31 July		<u>(5,004)</u>	<u>(18,041)</u>

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

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
YEAR ENDED 31 JULY 2013

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 2007* (the SORP), the Accounts direction for 2012-13 financial statements and in accordance with applicable Accounting Standards.

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 £11.9m of loans outstanding with bankers on terms negotiated in 2008. This relates to a long term loan facility which is in place for up to another 22 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 Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
YEAR ENDED 31 JULY 2013

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 29, 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 2013

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 2013

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.

Foreign currency translation

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
YEAR ENDED 31 JULY 2013

1. Accounting Policies (continued).

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.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. 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 33, 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.

Over the life of the project the College has been required to submit claims for payment, supported by relevant evidence of expenditure. At the period end total expenditure incurred on the capital project was £71.3m for which claims have been prepared to determine the level of Capital Grant support payable, at the confirmed intervention rate. To date the funding agency has paid the full grant of £58.1m, £57m of which has been recognised as a deferred grant to be released as appropriate, the balance having already been released to offset revenue project fees paid.

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 2013

2 Funding Body Grants

	Year ended 31 July 2013	Year ended 31 July 2012
	£000	£000
Skills Funding Agency recurrent grant	10,205	10,623
Education Funding Agency recurrent grant	11,032	11,098
HEFCE - recurrent grant	170	236
Education Funding Agency non recurrent grant	712	563
Releases of deferred capital grants (note 21)	2,433	3,111
	<u>24,552</u>	<u>25,631</u>

3 Tuition Fees and Education Contracts

	Year ended 31 July 2013	Year ended 31 July 2012
	£000	£000
Tuition fees	1,645	1,507
Higher Education income (HE)	241	335
	<u>1,886</u>	<u>1,842</u>

4 Other Grants and Contracts

	Year ended 31 July 2013	Year ended 31 July 2012
	£000	£000
Releases from deferred capital grants (non funding body) (note 21)	83	88
	<u>83</u>	<u>88</u>

5 Other Income

	Year ended 31 July 2013	Year ended 31 July 2012
	£000	£000
Residences, catering and conferences	358	367
Other income generating activities	175	32
Other funding body and agency income	26	51
Examination fee income	72	211
Creche fee income	172	169
Release deferred income (Horwich refurbishment)	26	26
Other income	347	440
	<u>1,175</u>	<u>1,296</u>

6 Investment Income

	Year ended 31 July 2013	Year ended 31 July 2012
	£000	£000
Other interest receivable	94	251
Dividend receivable from Associate	45	59
	<u>139</u>	<u>310</u>

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2013

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 2013	Year ended 31 July 2012
	FTE	FTE
Teaching staff	166	198
Non teaching staff	274	296
	440	494

Staff costs for the above persons:

	Year ended 31 July 2013	Year ended 31 July 2012
	£000	£000
Wages and salaries	11,716	12,827
Social security costs	790	894
Other pension costs (including FRS17 adjustment of £158k) (2012 (£76k))	1,568	1,618
Payroll sub-total	14,074	15,339
Contracted out staffing services	2,442	2,112
Sub total	16,516	17,451
Staff restructuring costs	32	1,016
Total	16,548	18,467

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

	Senior post-holders		Other staff	
	Year ended 31 July 2013	Year ended 31 July 2012	Year ended 31 July 2013	Year ended 31 July 2012
	No.	No.	No.	No.
£60,001 to £70,000	-	-	-	-
£70,001 to £80,000	1	1	-	-
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	-	-	-	-
over £100,001	1	1	-	-
	3	3	-	-

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2013

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 2013	Year ended 31 July 2012
The number of senior post-holders including the Principal was:	3	3
Senior post-holders' emoluments are made up as follows:	£000	£000
Salaries	270	270
Pension contributions	42	41
	<u>312</u>	<u>311</u>
The above emoluments include amounts payable to the Principal (who is the highest paid senior postholder) of:		
Salary	110	110
Pension contributions	16	16
	<u>126</u>	<u>126</u>

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 no pay increase in the year.

9 Other Operating Expenses

	Year ended 31 July 2013	Year ended 31 July 2012
	£000	£000
Teaching costs	1,205	1,384
Non teaching costs	4,282	4,056
Premises costs	1,410	1,486
	<u>6,897</u>	<u>6,926</u>
Other operating expenses include:		
Auditors' remuneration:		
- For the audit of the financial statements	20	19
- Other audit services provided by the financial statements auditor	1	1
- other advisory services	-	-
- Internal audit	20	25
- Other audit services provided by the internal auditor	2	-
Operating leases - hire of plant and machinery	117	169
Operating leases - rental of Horwich campus	270	270
Loss on disposal of fixed asset	24	-

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2013

10 Interest and Other Finance Costs

	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	1,238	1,978
On finance leases	(12)	(1)
Interest on Enhanced Pension Provision (note 20)	146	224
Pension finance costs (note 30)	228	45
	<u>1,601</u>	<u>2,246</u>

The College has an unsecured facility with Barclays to finance the new build capital project. This is a long term facility of £12.65m, £10m of which is fixed at 6.85% and the balance continues at a variable rate.

11 Taxation

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

12 Surplus/(deficit) on Continuing Operations for the Period

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

	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
College's surplus/(deficit) for the period	68	(1,150)
	<u>68</u>	<u>(1,150)</u>

13 Tangible Fixed Assets

	Land and Buildings		Equipment	
	Assets under construction	Freehold		Total
	£000	£000	£000	£000
Cost or Valuation				
As at 1 August 2012	145	58,770	9,661	68,576
Additions	275	559	635	1,468
Disposals	-	-	(438)	(438)
As at 31 July 2013	<u>420</u>	<u>59,329</u>	<u>9,858</u>	<u>69,606</u>
Depreciation				
As at 1 August 2012	-	2,776	3,805	6,581
Charge for Period	-	1,167	1,554	2,721
Disposals	-	-	(410)	(410)
As at 31 July 2013	<u>-</u>	<u>3,943</u>	<u>4,949</u>	<u>8,892</u>
Net Book Value				
As at 31 July 2013	<u>420</u>	<u>55,386</u>	<u>4,909</u>	<u>60,714</u>
Net Book Value				
As at 1 August 2012	<u>145</u>	<u>55,994</u>	<u>5,856</u>	<u>61,995</u>

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2013

13 Tangible Fixed Assets (continued)

Assets under construction relate to the Phase 3 STEM Centre new build project.

Land and buildings in relation to the Horwich campus with a net book value of £249,458 (2011/12: £289,964) have been financed by exchequer funds, through for example the receipt of capital grants. Should these assets be 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 £211,517 (2011/12: £6,424) in respect of assets held under finance leases. Depreciation charged in the year on these assets amounted to £99,467 (2011/12: £76,944).

14 Investments

	2013 £000	2012 £000
Investments	1	1
	<u>1</u>	<u>1</u>

Investments relate to Government Loan 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

	2013 £000	2012 £000
Amounts falling due within one year		
Trade debtors	191	352
Other debtors	-	208
Prepayments and accrued income	441	453
Amounts owed by the Skills Funding Agency within one year	-	13,605
	<u>632</u>	<u>14,618</u>
Amounts falling due after one year		
Other debtors	20	20
	<u>20</u>	<u>20</u>

16 Cash at Bank

	2013 £000	2012 £000
Restricted cash and short term investments	-	2,812
Cash and short term investments	7,137	3,848
	<u>7,137</u>	<u>6,660</u>

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2013

17 Creditors: Amounts falling due within one year

	2013	2012
	£000	£000
Bank loans	295	12,759
Obligations under finance leases	102	-
Trade creditors	523	46
Other taxation and social security	251	277
Deferred income	183	187
Accruals	941	846
Other creditors	160	1,072
Amounts owed to the Skills Funding Agency /Young Peoples' Learning Agency	1,583	442
	4,040	15,629

Other creditors includes £Nil (2011/12 £777,958) in respect of outstanding invoices relating to the new build project.

18 Creditors: Amounts falling due after one year

	2013	2012
	£000	£000
Bank loans	11,647	11,942
Obligations under finance leases	97	-
Deferred income - Horwich refurbishment	105	132
	11,849	12,074

19 Analysis of Borrowings of the College

(a) Bank Loans and Overdrafts

	2013	2012
	£000	£000
In one year or less	295	12,759
Between one and two years	309	295
Between two and five years	1,017	970
In five years or more	10,321	10,676
	11,942	24,700

The College has an unsecured facility with Barclays to finance the new build capital project. This is a long term facility of £12.65m, £10m of which 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 2013

19 Analysis of Borrowings of the College (continued)

(b) Finance Leases

	2013	2012
	£000	£000
The net finance leases to which the College is committed are:		
In one year or less	102	-
Between two and five years	97	-
	<u>199</u>	<u>-</u>

20 Provisions for Liabilities and Charges

	Restructuring	Horwich	Enhanced Pension	Total
		£000	£000	£000
At 1 August 2012				
Expenditure in the period	1,011	140	3,323	4,474
Transferred to income and expenditure account	(1,011)	-	(223)	(1,234)
At 31 July 2013	<u>21</u>	<u>10</u>	<u>146</u>	<u>177</u>
	<u>21</u>	<u>150</u>	<u>3,246</u>	<u>3,417</u>

The restructuring provision relates to the exceptional restructuring costs arising from the implementation of the proposals from the Case for Change to respond to reductions in funding agency income, as approved by the Corporation in March 2012.

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.

The principal assumptions for this calculation are:

	2013	2012
Interest rate	4.28%	5.36%
Net interest rate	2.50%	2.75%

21 Deferred Capital Grants

	Funding Body Grants	Other Grants	Total Grants
	£000	£000	£000
At 1 August 2012			
Cash received	49,902	89	49,991
Released to income and expenditure account	139	6	146
	(2,433)	(83)	(2,516)
Total	<u>47,608</u>	<u>12</u>	<u>47,620</u>

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2013

22 Movement on General Reserves

	2013	2012
	£000	£000
Income and Expenditure Account		
At 1 August	(7,447)	(2,139)
Retained surplus/(deficit) for the year	68	(1,150)
Actuarial gain/(loss) in respect of pension scheme (note 30)	2,783	(4,158)
At 31 July	<u>(4,596)</u>	<u>(7,447)</u>
 Balance represented by:		
Pension reserve	(6,199)	(8,596)
Income and expenditure account reserve excluding pension reserve	1,603	1,149
At 31 July	<u>(4,596)</u>	<u>(7,447)</u>
 Restricted Reserve (Trust Funds)		
At 1 August and 31 July	<u>6</u>	<u>6</u>

23 Reconciliation of Consolidated Operating Surplus/(Deficit) to Net Cash Inflow from Operating Activities

	Year ended	Year ended
	31 July 2013	31 July 2012
	£000	£000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation.	68	(1,150)
Depreciation (note 13)	2,721	2,678
Deferred capital grants released to income (note 21)	(2,516)	(3,198)
Loss on disposal of tangible fixed assets	24	(3)
Other interest payable (note 10)	1,226	1,977
FRS17 pension cost less contributions payable (notes 7 and 30)	158	76
FRS17 pension finance cost (note 30)	228	45
Increase in stocks	(2)	(2)
Decrease/(increase) in debtors	174	496
(Decrease)/increase in creditors	230	440
(Decrease)/increase in provisions	(1,057)	1,021
Interest receivable (note 6)	(94)	(251)
Net cash inflow/(outflow) from operating activities	<u>1,159</u>	<u>2,129</u>

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2013

24 Returns on Investments and Servicing of Finance

	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Interest received	94	251
Interest paid	(1,226)	(1,977)
Net cash outflow from returns on investments and servicing of finance	(1,132)	(1,726)

25 Capital Expenditure and Financial Investment

	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Purchase of tangible fixed assets	(2,037)	(854)
Proceeds on sale of tangible fixed assets	3	-
Deferred capital grants received	15,044	543
Net cash outflow for capital expenditure and financial investment	13,010	(311)

26 Financing

	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
New unsecured loans repayable by 2020	545	4,018
Repayment of amounts borrowed	(13,304)	(16,719)
New finance leases	305	-
Capital element of finance lease rental payments	(106)	(76)
Net cash outflow from financing	(12,560)	(12,777)

27 Analysis of change in net debt

	At 31 July 2012 £000	Cashflows £000	At 31 July 2013 £000
Cash in hand, and at bank	6,660	477	7,137
	<u>6,660</u>	<u>477</u>	<u>7,137</u>
Debt due within 1 year	(12,759)	12,464	(295)
Debt due after 1 year	(11,942)	295	(11,647)
Finance leases	0	(199)	(199)
Total	(18,041)	13,037	(5,004)

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2013

28 Cash Flow relating to exceptional items

	2013	2012
	£000	£000
Provision as at 1 August	-	-
Income & expenditure account charge	-	1,011
Operating cash outflow	<u>1,011</u>	<u>-</u>
	<u>(1,011)</u>	<u>1,011</u>

29 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.

Total pension cost for the year	2013	2012
	£000	£000
Teacher's Pension Scheme: Contributions paid	714	819
Local Government Pension Scheme:		
Contributions Paid	696	723
FRS17 charge	<u>158</u>	<u>76</u>
Charge to the Income & Expenditure Account (staff costs)	854	799
Total Pension Cost for Year	<u>1,568</u>	<u>1,618</u>

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 (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. these regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or change of contract. teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

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

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2013

29 Pensions and Similar Obligations (Continued)

The Teachers' Pension Budgeting and Valuation Account (continued)

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce a real rate of return.

Valuation of Teachers' Pension scheme

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in the future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced - effective for the first time for the 2008 valuation - a 14% cap on employer contributions payable.

Scheme Changes

From 1 April 2012 to 31 March 2013, the employee contribution rate ranged between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-2014 and 2014-2015.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

The Proposed Final Agreement can be found at:-

<http://media.education.gov.uk/assets/files/ppt/t/tps%20proposed%20final%20agreement.pdf>

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2013

29 Pensions and Similar Obligations (continued)

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-contributions scheme. The College has set out above the information available on the deficit in the scheme and its implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Tameside Metropolitan Borough Council. The total contributions for the year ended 31 July 2013 was £941,871, of which employer contributions totalled £695,756 and employee contributions totalled £246,115. The agreed contribution rate for future years are 17.3% for employers and a range from 5.5% to 7.5% for employees, depending on salary.

The following information is based upon full actuarial valuation of the fund at 31 March 2010 updated to 31 July 2013 by a qualified independent actuary.

Principal Actuarial Assumptions	At 31 July	At 31 July
Rate of increase in salaries	4.60%	4.00%
Rate of increase for pensions in payment/inflation	2.80%	2.20%
Discount rate for scheme liabilities	4.60%	4.10%
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:

	At 31 July 2013	At 31 July 2012
<i>Retiring today</i>		
Males	20.10	20.10
Females	22.90	22.90
<i>Retiring in 20 years</i>		
Males	22.50	22.50
Females	25.00	25.00

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

	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013 £000	Long-term rate of return expected at 31 July 2012	Value at 31 July 2012 £000
Equities	6.5%	18,470	5.5%	14,094
Bonds	3.7%	4,617	3.3%	4,485
Property	4.6%	1,539	3.7%	1,068
Cash	3.4%	1,026	2.8%	1,708
Total Market Value of assets		25,652		21,355
Present Value of scheme liabilities				
- Funded		(31,851)		(29,951)
Deficit in the scheme		(6,199)		(8,596)

The following information is based upon full actuarial valuation of the fund at 31 March 2010 updated to 31 July 2013 by a qualified independent actuary.

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2013

29 Pensions and Similar Obligations (Continued)

Analysis of the amount charged to income and expenditure account

	Year Ended 31 July 2013 £000	Year Ended 31 July 2012 £000
Employer service cost (net of employee contributions)	854	799
Total operating charge	<u>854</u>	<u>799</u>
Analysis of pension finance income		
Expected return on pension scheme assets	1,004	1,284
Interest on pension liabilities	(1,232)	(1,329)
Pension finance cost	<u>(228)</u>	<u>(45)</u>

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)	<u>2,783</u>	<u>(4,158)</u>
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Movement in deficit during year

Deficit in scheme at 1 August	(8,596)	(4,317)
Movement in year:		
Employer service cost (net of employee contributions)	(854)	(799)
Employer contributions	696	723
Past service gain	-	-
Net return on assets	(228)	(45)
Actuarial (loss)/gain	2,783	(4,158)
Deficit in scheme at 31 July	<u>(6,199)</u>	<u>(8,596)</u>

Asset and Liability Reconciliation

	2012 £'000	2012 £'000
Reconciliation of Liabilities		
Liabilities at start of period	29,951	24,934
Current service cost	854	799
Interest cost	1,232	1,329
Employee contributions	245	272
Actuarial (gain)/loss	494	3,414
Benefits paid	(925)	(797)
Liabilities at end of period	<u>31,851</u>	<u>29,951</u>
Reconciliation of Assets		
Assets at start of period	21,355	20,617
Expected return on assets	1,004	1,284
Actuarial gain/(loss)	3,277	(744)
Employer contributions	696	723
Employee contributions	245	272
Benefits paid	(925)	(797)
Assets at end of period	<u>25,652</u>	<u>21,355</u>

The estimated value of employer contributions for the year ended 31 July 2014 is £703,000.

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2013

29 Pensions and Similar Obligations (Continued)

History of experience gains and losses	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Difference between the expected and actual return on assets	3,277	(744)	1,345	1,391	(1,362)
Experience gains/(losses) on scheme liabilities:	-	(329)	1,237	-	0
Total amount recognised in STRGL	2,783	(4,159)	3,612	(390)	(3,920)

30 Capital Commitments

The College embarked on the third phase of its accommodation strategy, the building of the new STEM centre and relocation of the provision from the Horwich site to the town centre campus. The cost of the project is circa £4.3m, contracted and authorised by the College Corporation in December 2012. The Skills Funding Agency have approved capital funding of £1.4m as part of the Enhanced Renewal Grant. The College will meet the balance of the project from cash reserves. The construction contract was signed in June 2013 following a competitive tendering process.

Project feasibility and design costs amounting to £145k were capitalised in 2011/12. Construction started on the new campus in June 2013 and during the year ending 31 July 2013 the sum of £275k was incurred and capitalised as per Note 13 to the Financial Statements.

31 Financial Commitments

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

	31 July 2013 £000	31 July 2012 £000
Land and Buildings		
Expiring between two and five years inclusive	311	-
Expiring in over five years	-	270
	<u>311</u>	<u>270</u>
Other		
Expiring between two and five years inclusive	111	116
	<u>111</u>	<u>116</u>

32 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 an organisation are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

Transactions with the funding bodies 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 £328,778 (2012: £294,629) for provision delivered on its behalf. As at 31 July 2013, £57,675 was owed to the College by Watertrain Limited (2012: £58,048.)

33 Amounts disbursed as agent

	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Learner Support Funds		
Funding body grants - Hardship support	487	339
Funding body grants - Childcare	89	155
Other Funding Body grants	2	2
Interest Earned	-	-
	<u>578</u>	<u>496</u>
Disbursed to Students	(523)	(365)
Administration costs	(28)	(25)
Balance unspent as at 31 July, included in creditors	<u>27</u>	<u>106</u>