



BOLTON COLLEGE

Report and Financial Statements

Year Ended 31 July 2014

BOLTON COLLEGE
FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2014

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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 2014.

Legal Status

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

Mission

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

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

Public Benefit

Bolton College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees for the charity, are disclosed on page 14.

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

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

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

Implementation of the College's Strategic Framework

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.

BOLTON COLLEGE OPERATING AND FINANCIAL REVIEW (continued)

Implementation of the College's Strategic Framework (continued)

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:-

- We will ensure high quality, inspirational teaching learning and assessment. We will maintain our performance in the top quartile for all colleges within the sector.
- Increase participation in learning and improve skills levels for young people and adults in Bolton by working in partnership to deliver the Bolton Skills Strategy.
- 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 10 in 2013/14.
- 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 to exceed the funded target of 2187 for 2013/14 and to develop more Level 3 Engineering provision for the new STEM Centre.
- To offer a variety of robust study programmes at all levels to each 16-18 year old studying on a full time programme in line with funding methodologies:
 - To improve English and maths skills for every 16-18 year old whilst on a Study Programme.
 - To encourage and enable our learners to experience the world of work and enterprise opportunities. Target is to make external work placement opportunities available to 50% of full-time 16-18 cohort by 2014/15 as part of their individual programme of study.
- Increase the range and number of apprenticeship opportunities for young people and become the provider of choice for young people and employers.
- To provide high quality, flexible, value for money Higher Education courses in response to identified market opportunities and to maintain success rates within the top tenth percentile.
- 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.

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

Implementation of the College's Strategic Framework (continued)

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

The achievements against these objectives are as follows:-

Learner Numbers and Funding (Further Education) 2013/14

The College achieved 101% of its Education Funding Agency (EFA) funding for learner responsive young people (16-18). This was reflected in student volumes of 2,199 against a target of 2,187. The Adult Classbased provision also achieved the initial funding target expected and outturned at £3,796,409. The single Adult Skills Budget (ASB) achieved a total of £5,888,889* against a target of £5,775,815.

**This includes ESOL protection calculated at £200,000 to be added by the Skills Funding Agency*

Table information as at 24th October 2014

Age Group	Target	Actual	Difference	Percentage of target
16-18 Learners	2,187	2,199	12	100%
16-18 Programme funding	£9,125,593	£10,678,889	£1,553,296	117%
19+ Classbased Funding	£3,778,669	£3,796,409	£17,740	100%
24+ loans	£733,465	£631,261 approved @ 23/10/14	-£102,204	86%

As the advanced learning loans were introduced for 2013/14 the College chose to set an internal target below the full underwritten amount allocated of £733K, achievement of 86% of the assigned funding was seen as an excellent outcome for the initial take up in the first year of operation.

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 2013/14, 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 23rd October 2014

	13/14 Targets	Actual	% of Target
PCDL	5,798	7,573	132%
FIRST STEPS	500	942	188%
FEML	752	884	118%
TOTAL	7,050	9,399	131%

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 2012/13, the success rate target for 2013/14 was maintained at 75%. The overall success rate of the College for 2013/14 was 44%, some 25% points under the national average, as identified below:

Area	2011/12 Target	2011/12 Outturn	2012/13 Target	2012/13 Outturn	2013/14 Target	2013/14 Outturn
Apprenticeship Framework	75%	64%	75%	64%	75%	44%

The success rate achievement has declined over the last three years and has outturned at a very poor 44%. This level of success presents a significant issue and, accordingly, the College has, therefore, initiated a rigorous and detailed improvement plan. The success rate for College-based apprenticeships improved by 3% but subcontractor's performance was very poor and has led the College to revise its approach to subcontracting.

The College achieved funding of £1,184,266 against a target of £1,151,722 for 16-18 year olds and £1,550,746 against an initial SFA target of £1,259,056 for adult apprentices.

The target for the total ASB was £5,775,815 against which the College achieved 102% of this and outturned at £5,888,889. As the ESOL protection element is due to be finally calculated and added to the College funding claim this is expected to be in the region of £200,000. This would equate to over delivery of around £113K, should the SFA choose to fund this, the College however is not expecting this outcome.

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 delivered was only £51,830.

Financial Objectives

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

In addition, the other financial objectives reviewed and approved by the Corporation in July 2013 fully support this key objective. The performance against these objectives has been creditable during 2013/14, the outturns being:-

- a positive cash flow from operations of £1,478k - achieved £943k;
- cash days in hand of 46.51 – achieved 44.86;
- a current ratio of 1.62:1 – achieved 0.27:1;
- an operating surplus before exceptional charges, taxation, past service cost gain and FRS17 adjustment of £1k – achieved £300k surplus; and
- a positive balance on general reserves (Income & Expenditure Reserve account) £1,517k – achieved £233k.

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.

BOLTON COLLEGE OPERATING AND FINANCIAL REVIEW (continued)

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 £9,125,593 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 initial assumed additional learning support.

In 2013/14 the College achieved its 16-18 learner number target but over achieved the 16-18 apprenticeship contract value. The College also achieved 102% 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)

Framework for Excellence

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

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

The College is committed to observing the importance of sector measures and indicators and use the FE choices website which looks at the measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of Inadequate is not considered representative of the underlying Financial Health of the College. The Skills Funding Agency has already accepted that the onerous lease provision is of such an exceptional nature that this should be excluded to determine the underlying Financial Health position; adjusting for this would improve the outcome to Satisfactory. In addition, the impact of the re-categorisation of the long term loan facility as a short term creditor, required by FRS25 due to the covenant breach, if also excluded, would further improve the outcome to Good. The College will be seeking moderation of the autoscore from the Agency requesting confirmation that the underlying position remains as Good, confirmed in the Financial Plan.

FINANCIAL POSITION

Financial results

Income decreased compared to 2012/13 by 4.5% (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 2013/14, the funding bodies provided 83% of the College's total income (2012/13 88%).

BOLTON COLLEGE OPERATING AND FINANCIAL REVIEW (continued)

Financial results (continued)

The College incurred an operating deficit in the year of £1,530k, after accounting for the exceptional onerous lease provision of £1,670k arising from the vacation of the Horwich campus, (2012/13 £68k surplus).

The College has a long term loan facility with Barclay bank of £12,651k to finance the Deane Road campus building of which £11.6m is outstanding at the year -end.

The Loan Facilities Agreement includes financial covenants with which the College has to comply. At the year end, the College was in breach of one of these covenants. However, there remains a good relationship with the lender who has written to the College confirming that it does not intend to withdraw the facility or demand settlement of the loan balance.

The bank is currently seeking a re-negotiation of the existing loan covenants with the College and anticipates the agreement of a mutually acceptable set of revised financial covenants which will provide for a more appropriate basis for the future measurement of covenant compliance. These negotiations will involve reviewing the latest financial performance and forecasts from the College to inform the calculations of the revised covenants.

Treasury Policies and Objectives

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

The College has a separate treasury management policy in place.

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

Taxation

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Learner numbers

16-18 Learners

In 2013/14, the College delivered activity sufficient to achieve the income target of £9,125,593 for young people including disadvantaged learners and £3,778,369 for adult FE funding. This was derived from 2,124 16-18 year olds and 3,818 adult learners. In addition, the College also supported 75 learners aged 19-24 who had high needs learning difficulties and disabilities.

The College has had a strategy to increase the taught hours for all appropriate 16-18 and 19-24 learners with high needs support. Our aim is to ensure most young people have a full entitlement programme, i.e. with hours in the highest bandings. Band 1 is 540+ hours and band 2 is 450-539 hours. The profile of the bandings for EFA 16-18 has been much improved for 2013/14 and will assist in generating an increased level of funding in future allocations. The new funding methodology has been fully embraced by the College and a much greater emphasis is now placed on full-time study programmes which include English and maths.

BOLTON COLLEGE OPERATING AND FINANCIAL REVIEW (continued)

Adults

Adult funding was more flexible in 2013/14 as it formed part of the Adult Skills Budget (ASB), thereby permitting part of the adult skills budget from classbased to be vired into the apprenticeship based activity. The final funding agreement from the Skills Funding Agency (SFA) identified that there was an expectation for the Adult Skills Budget to generate £5,775,815 against which the outturn is expected to be £5,888,889 representing a performance of 102% of target. This figure still requires ESOL protection adding by the SFA expected to be circa £200K.

Learner achievements

The Government changed the way success is captured in 2013/14 which now includes English and Maths, as these qualifications have low success rates nationally it is expected that the new measure will reduce the national averages. In addition, the introduction of the study programmes has meant that more English and Maths has been delivered than in years before. The College overall figure was 82% this is some 2% lower than the previous year. Should the methodology have remained the same, the College outturn would be 84% which is equal to the previous year.

Long programmes for young people outturned at 82% success which was 1% less than the previous year, given the introduction of English and maths, this figure is relatively good.

Long programmes for adults has outturned at 81%, this remained to be the same as the previous year.

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

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

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

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

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

In 2013/14 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.

BOLTON COLLEGE OPERATING AND FINANCIAL REVIEW (continued)

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

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

Future developments

The campus at Deane Road is now fully complete with the recent opening of the STEM Centre adjacent to the original building. This has allowed for expansion of the technical curriculum and increased numbers of learners at Level 3.

The College continues to improve efficiency where possible. Planned savings in 2013/14 were achieved by withdrawing from the Horwich & Farnworth campuses; reduction in nursery provision; contracting out of Catering to remove subsidies.

Additionally, the College plans to reduce dependency on the Skills Funding Agency and has pursued ESF funded project delivery as well as commercial (full-cost) provision.

RESOURCES

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

People

The College employs 401 people (expressed as full time equivalents) at 31 July 2014. Of this number 172 FTE are teaching staff. A staffing agency is used to supply staff for curriculum delivery where demand does not justify the employment of a permanent full time or fractional member of staff.

Reputation

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

Financial

The College has £38 million of net assets (including a £9.5 million pension liability) and long term loans of £11.3 million at 31 July 2014.

BOLTON COLLEGE

OPERATING AND FINANCIAL REVIEW (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. Based on the strategic plan, the Senior Management Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Senior Management Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College. The College's Senior Management Team review risk at every meeting thereof, identifying any new risks.

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

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

The principal risk factor that may affect the College relates to Government funding as the College has considerable reliance on continued government funding through funding agencies and this obviously has an effect on the ability of the College to manage to meet its loan covenants. In 2013/14, 83.0% 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.

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.

BOLTON COLLEGE OPERATING AND FINANCIAL REVIEW (continued)

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.

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;*

BOLTON COLLEGE
OPERATING AND FINANCIAL REVIEW (continued)

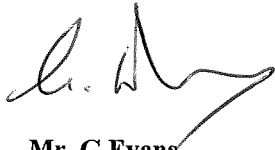
Disability Statement (continued)

- *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.*

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 8th December 2014 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:
Baker Tilly Risk Advisory Service LLP
9th Floor,
3 Hardman Street
Manchester
M3 3HF

Bankers:

National Westminster Bank plc	Barclays
Bolton Central Branch	3 Hardman Street
24 Deansgate	1 st Floor
Bolton	Spinningfields
BL1 1BN	Manchester
	M3 3HF

Solicitors:
Mills & Reeves LLP (formerly
George Davies Solicitors LLP)
8th Floor
1 New York Street
Manchester
M1 4AD

BOLTON COLLEGE STATEMENT ON CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of Corporate Governance and in particular the board has adopted and complied with the Foundation Code.

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 2014. 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 and the Accountability annex to the foundation code that was issued in March 2013 and adopted by the College in July 2014.

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

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

The Corporation

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

Member	Date Appointed	Term of Office	Date Resigned	Status of Appointment	Committees Served	Attendance %
Mr G. Evans (Chair from 1 st January 2012 and former Vice Chair)	20/07/00 19/07/08 20/07/12	4 yrs		Member	Employment , Remuneration, Search & Governance	100%
Cllr P. Ashcroft	01/09/08 01/09/12	4 yrs		Member	Audit	100%
Ms S. Bain	28/03/07 26/03/11	4 yrs		Member	Standards	100%
Mr D. Buckle (Vice Chair from 31 st December 2013)	26/03/10 26/03/14	4 yrs		Member	Finance & GP, Search & Governance	75%
Ms. M. Gilluley	01/05/11			Principal/Chief Executive	All except Audit	100%
Mrs G. Crawford	25/09/13	4 yrs		Member	Finance & General Purposes	100%
Mr N. Kerrigan	23/03/11	4 yrs		Staff Member	Standards	100%
Mr G. Mistry	12/12/09	4 yrs	11/12/13	Staff Member	Employment	100%
Ms S. Nixon	01/09/07 01/09/11	4 yrs		Member	Employment	50%
Mr J. Patel	07/12/09 07/12/12	4 years	02/10/13	Member	Audit	100%
Mr R. Peet	08/07/09 07/07/12	4 years		Member	Search & Governance	100%
Mr A. Roberts	15/07/11	4 years		Member	Finance & General Purposes	50%
Mrs B. Ronson	29/09/04 19/07/08 19/07/12	4 years		Member	Audit,, Standards, Remuneration	75%
Mrs J. Smith	26/03/10 26/03/14	4 years		Member	Standards, Remuneration	100%
Mr P. Syddall	10/12/08 10/12/12	4 years		Member	Finance & GP	50%
Cllr L.Thomas	14/06/00 19/06/04 19/07/08 19/07/12	4 years		Member	Remuneration committee	25%
Mr D. Valji	07/12/09 07/12/12	4 years		Member	Employment	75%
Mrs M. Thompson	03/07/13	4 yeras		Member	Standards	100%
Miss D Conn	19/09/12	2 years		Student Member	Search & Governance	75%
Miss S Martin	19/09/12	2 years		Student Member	Search & Governance	75%
Mr P. Ryan is the Clerk to the Corporation.						

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

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

The Corporation (continued)

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation normally meets four times per year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. 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 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.

Remuneration Committee

Throughout the year ending 31 July 2014, 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 2014 are set out in note 8 to the financial statements.

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

Audit Committee

The Audit Committee comprises three 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 Joint 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 2014 and up to the date of approval of the annual reports and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2014 and up to the date of approval of the annual reports and accounts. This process is regularly reviewed by the Corporation.

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

The risk and control framework

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

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

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

Review of effectiveness

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors and the regularity auditors in their management letters and other reports.

The 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.

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 2014 meeting the Corporation carried out the annual assessment for the year ended 31 July 2014 by considering documentation from the senior management team and internal audit, taking account of events since 31 July 2014.

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

Review of effectiveness (continued)

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

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

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding under the financial memorandum in place between the College and the Skills Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that *to the best of its knowledge*, the Corporation believes it is able to identify any material irregularity or improper use of funds by the College, or material non-compliance with the Skills Funding Agency’s terms and conditions of funding under the College’s financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency.

Going Concern


The College currently has a long term loan outstanding of £11.6m in relation to a long term loan facility which is in place for up to another 21 years.

At the year end, the College was in breach of one of the financial covenants, and as such, the College’s borrowings have been re-classified as falling due within one year of the balance sheet date as required by Financial Reporting Standards. This has resulted in a net current liability position for the College at the year-end. There remains a good relationship with the lender who has indicated that it does not intend to withdraw the facility.

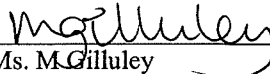
The bank is currently seeking a re-negotiation of the existing loan covenants with the College and anticipates the agreement of a mutually acceptable set of revised financial covenants which will provide for a more appropriate basis for the future measurement of covenant compliance. These negotiations will involve reviewing the latest financial performance and forecasts from the College to inform the calculations of the revised covenants.

Having considered its future financial forecasts including projected cash flows, the Corporation considers that the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason continues to adopt the going concern basis in the preparation of its Financial Statements.

Approved by order of the members of the Corporation on 8th December 2014 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 2013-14 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.

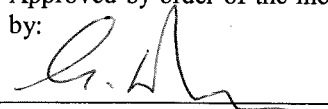
The Corporation is also required to prepare an Operating and Financial Review which describes what it is seeking to do and how it is going about it, including the legal and administrative status of the College.

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. 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 8th December 2014 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 2014 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 explained more fully 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

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

Opinion on financial statements

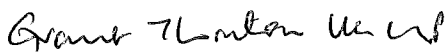
In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2014 and of its deficit of income over expenditure for the year then ended in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and the Accounts Direction for 2013 to 2014.

Matters on which we are required to report by exception

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

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


Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Leeds

Date: 8 December 2014

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

This report is produced in accordance with the terms of our engagement letter dated 21 June 2011 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Financial Memorandum with the Skills Funding Agency, in accordance with the authorities which govern them.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Audit Framework published by the Skills Funding Agency and the Education Funding Agency.

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

Respective responsibilities of the Members of the Corporation of Bolton College

The Corporation of the College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

The Corporation of the College is also responsible, under the requirements of the Accounts Direction 2013-14, published by the Skills Funding Agency and the Education Funding Agency, for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2014 have been notified to the Skills Funding Agency.

Auditor's responsibilities

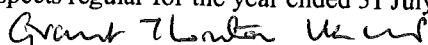
Our responsibility is to express a reasonable assurance opinion in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter dated 21 June 2011. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular

Basis of opinion

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Opinion

In our opinion the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.


Grant Thornton UK LLP

Statutory Auditor

Chartered Accountants

Leeds

Date: 8 December 2014

BOLTON COLLEGE
INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 JULY 2014

	Notes	Year Ended 31 July 2014	Year Ended 31 July 2013
		£000	£000
INCOME			
Funding body grants			
Tuition fees and education contracts	2	21,961	24,552
Research grants and contracts	3	3,378	1,886
Other income	4	6	83
Endowment and investment income	5	1,148	1,175
	6	78	139
Total Income		<u>26,571</u>	<u>27,835</u>
EXPENDITURE			
Staff costs			
Exceptional restructuring costs	7	16,033	16,516
Other operating expenses	7	90	32
Exceptional onerous lease costs	9	6,995	6,897
Depreciation	9	1,670	-
Interest and other finance costs	13	2,432	2,721
	10	881	1,601
Total expenditure		<u>28,101</u>	<u>27,767</u>
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and exceptional items, before tax		(1,530)	68
Taxation	11	-	-
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, tax and exceptional items	12	<u>(1,530)</u>	<u>68</u>

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 2014

	Notes	Year Ended 31 July 2014	Year Ended 31 July 2013
		£000	£000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, tax and exceptional items		(1,530)	68
Actuarial (loss)/gain in respect of pension scheme	29	(3,106)	2,783
Total recognised (losses)/gains since last report		<u>(4,636)</u>	<u>2,851</u>
 Reconciliation			
Opening reserves		(4,590)	(7,441)
Total recognised (losses)/gains for the year		(4,636)	2,851
Closing reserves		<u><u>(9,226)</u></u>	<u><u>(4,590)</u></u>

BOLTON COLLEGE
STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

FOR THE YEAR ENDED 31 JULY 2014

	Notes	Year Ended 31 July 2014	Year Ended 31 July 2013
		£000	£000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, tax and exceptional items		(1,530)	68
Historical cost (deficit)/surplus for the year after taxation		<u>(1,530)</u>	<u>68</u>

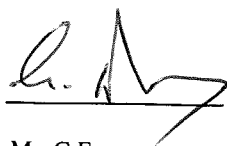
**BOLTON COLLEGE
BALANCE SHEET**

AS AT 31 JULY 2014

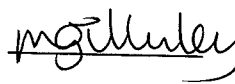
	Notes	31 July 2014 £000	31 July 2013 £000
Fixed assets			
Tangible assets	13	63,171	60,714
Investments	14	1	1
Total fixed assets		<u>63,172</u>	<u>60,715</u>
Debtors due after more than one year	15	20	20
Current assets			
Stock		27	31
Debtors due within one year	15	853	632
Cash at bank and in hand	16	3,055	7,137
Total current assets		<u>3,935</u>	<u>7,800</u>
Less : Creditors amounts falling due within one year	17	(14,317)	(4,040)
Net current (liabilities)/ assets		<u>(10,382)</u>	<u>3,760</u>
Total assets less current liabilities		52,810	64,495
Less: Creditors amounts falling due after more than one year	18	(79)	(11,849)
Less: Provisions for liabilities and charges	20	(5,273)	(3,417)
Net assets excluding pension liability		<u>47,458</u>	<u>49,229</u>
Net pension liability	30	(9,465)	(6,199)
NET ASSETS INCLUDING PENSION LIABILITY		<u>37,993</u>	<u>43,030</u>
Deferred capital grants	21	47,219	47,620
Income & expenditure account excluding pension reserve	22	233	1,603
Pension reserve	30	(9,465)	(6,199)
Income & expenditure account including pension reserve		<u>(9,232)</u>	<u>(4,596)</u>
Restricted reserve	22	6	6
Total reserves		<u>(9,226)</u>	<u>(4,590)</u>
TOTAL FUNDS		<u>37,993</u>	<u>43,030</u>

The notes on pages 27 to 46 form part of these financial statements.

The financial statements were approved by the Corporation on the 8th December 2014 and were signed on its behalf by :



Mr. G. Evans
Chair



Ms Marie Gilluley
Principal

BOLTON COLLEGE
CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2014

	Notes	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Cash inflow from operating activities	23	943	1,159
Returns on investments and servicing of finance	24	(633)	(1,132)
Capital expenditure and financial investment	25	(3,995)	13,010
Financing	26	(397)	(12,560)
(Decrease)/increase in cash in the year		<u>(4,082)</u>	<u>477</u>
Reconciliation of net cash flow to movement in net debt			
		£000	£000
(Decrease)/increase in cash in the year		(4,082)	477
New loans	26	-	(545)
Loan repayments	27	295	13,304
Net finance lease repayments	27	102	(199)
Movement in net debt in the year		<u>(3,685)</u>	<u>13,037</u>
Net debt at 1 August	27	(5,004)	(18,041)
Net debt at 31 July		<u>(8,689)</u>	<u>(5,004)</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 2014

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 the 2013/14 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.

For part of the year, to December 2013, the College had 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 a long term loan outstanding of £11.6m in relation to a long term loan facility which is in place for up to another 21 years.

At the year end, the College was in breach of one of the financial covenants, and as such, the College's borrowings have been re-classified as falling due within one year of the balance sheet date as required by Financial Reporting Standards. This has resulted in a net current liability position for the College at the year-end. There remains a good relationship with the lender who has indicated that it does not intend to withdraw the facility or demand settlement of the loan balance.

The bank is currently seeking a re-negotiation of the existing loan covenants with the College and anticipates the agreement of a mutually acceptable set of revised financial covenants which will provide for a more appropriate basis for the future measurement of covenant compliance. These negotiations will involve reviewing the latest financial performance and forecasts from the College to inform the calculations of the revised covenants.

Having considered its future financial forecasts including projected cash flows, the Corporation considers that the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason continues to adopt the going concern basis in the preparation of its Financial Statements.

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
YEAR ENDED 31 JULY 2014

1. Accounting Policies (continued).

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.

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.

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
YEAR ENDED 31 JULY 2014

1. Accounting Policies (continued).

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.

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 |
-

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
YEAR ENDED 31 JULY 2014

1. Accounting Policies (continued).

Equipment (continued)

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.

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 the period in which they arise.

Taxation

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

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

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
YEAR ENDED 31 JULY 2014

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 32, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff to administer Learner Support Fund applications and payments.

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2014

2 Funding Body Grants

	Year ended 31 July 2014	Year ended 31 July 2013
	£000	£000
Skills Funding Agency recurrent grant	9,457	10,205
Education Funding Agency recurrent grant	9,870	11,032
HEFCE - recurrent grant	79	170
Skills Funding Agency non recurrent grant	434	363
Education Funding Agency non recurrent grant	430	349
Releases of deferred capital grants (note 21)	1,691	2,433
	<u>21,961</u>	<u>24,552</u>

3 Tuition Fees and Education Contracts

	Year ended 31 July 2014	Year ended 31 July 2013
	£000	£000
Local Authority Contracts HCL	774	-
Tuition fees	2,359	1,645
Higher Education income (HE)	245	241
	<u>3,378</u>	<u>1,886</u>

4 Other Grants and Contracts

	Year ended 31 July 2014	Year ended 31 July 2013
	£000	£000
Releases from deferred capital grants (non funding body) (note 21)	6	83
	<u>6</u>	<u>83</u>

5 Other Income

	Year ended 31 July 2014	Year ended 31 July 2013
	£000	£000
Residences, catering and conferences	328	358
Other income generating activities	56	175
Other funding body and agency income	87	26
Examination fee income	73	72
Creche fee income	176	172
Release deferred income (Horwich refurbishment)	26	26
Other income	352	347
Sale of associate company shares	50	-
	<u>1,148</u>	<u>1,175</u>

6 Investment Income

	Year ended 31 July 2014	Year ended 31 July 2013
	£000	£000
Other interest receivable	60	94
Dividend receivable from associate	-	45
Pension finance income (note 29)	18	-
	<u>78</u>	<u>139</u>

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2014

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 2014	Year ended 31 July 2013
	FTE	FTE
Teaching staff	162	166
Non teaching staff	261	274
	<u>423</u>	<u>440</u>

Staff costs for the above persons:

	Year ended 31 July 2014	Year ended 31 July 2012
	£000	£000
Wages and salaries	11,192	11,716
Social security costs	707	790
Other pension costs (including FRS17 adjustment of £178k) (2013 £158k)	1,545	1,568
Payroll sub-total	<u>13,444</u>	<u>14,074</u>
Contracted out staffing services	2,589	2,442
Sub total	<u>16,033</u>	<u>16,516</u>
Staff restructuring costs	90	32
Total	<u>16,123</u>	<u>16,548</u>

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 2014	Year ended 31 July 2013	Year ended 31 July 2014	Year ended 31 July 2013
	No.	No.	No.	No.
£60,001 to £70,000	-	-	1	-
£70,001 to £80,000	-	1	-	-
£80,001 to £90,000	2	1	-	-
£90,001 to £100,000	-	-	-	-
over £100,001	1	1	-	-
	<u>3</u>	<u>3</u>	<u>1</u>	<u>-</u>

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2014

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 2014	Year ended 31 July 2013
The number of senior post-holders including the Principal was:	<u>3</u>	<u>3</u>
	£000	£000
Senior post-holders' emoluments are made up as follows:		
Salaries	228	270
Pension contributions	<u>33</u>	<u>42</u>
	<u><u>261</u></u>	<u><u>312</u></u>

The above emoluments include amounts payable to the Principal (who is the highest paid senior postholder) of:

Salary	110	110
Pension contributions	<u>16</u>	<u>16</u>
	<u><u>126</u></u>	<u><u>126</u></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 College 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 2014	Year ended 31 July 2013
	£000	£000
Teaching costs	1,307	1,205
Non teaching costs	5,898	4,282
Premises costs	<u>1,460</u>	<u>1,410</u>
	<u><u>8,665</u></u>	<u><u>6,897</u></u>

Other operating expenses include:

Auditors' remuneration:

- For the audit of the financial statements	20	20
- Other audit services provided by the financial statements auditor	1	1
- other advisory services	-	-
- Internal audit	20	20
- Other audit services provided by the internal auditor	-	2

Operating leases - hire of plant and machinery	113	117
Operating leases - rental of Horwich campus	311	270
Loss on disposal of fixed asset	1	24

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2014

10 Interest and Other Finance Costs

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	701	1,238
On finance leases	(8)	(12)
Interest on Enhanced Pension Provision (note 20)	188	146
Pension finance costs (note 29)	-	228
	<u>881</u>	<u>1,601</u>

The College has an unsecured facility with Barclays to finance the Deane Road campus building. This is a long term facility of £12.65m, £10m of which is fixed at 6.85% payable monthly and the balance continues at a variable rate, payable quarterly. The facility commenced 2010 and is fully repaid by 2035.

11 Taxation

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

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

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

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
College's (deficit)/surplus for the period	<u>(1,530)</u>	<u>68</u>
	<u>(1,530)</u>	<u>68</u>

13 Tangible Fixed Assets

	Land and Buildings		Equipment	Total
	Assets under construction	Freehold		
Cost or Valuation	£000	£000	£000	£000
As at 1 August 2013	420	59,328	9,858	69,606
Transfers	(420)	420	-	-
Additions	-	3,895	995	4,890
Disposals	-	-	(1,058)	(1,058)
As at 31 July 2014	<u>-</u>	<u>63,643</u>	<u>9,795</u>	<u>73,438</u>
Depreciation				
As at 1 August 2013	-	3,943	4,949	8,892
Charge for Period	-	1,174	1,258	2,432
Disposals	-	-	(1,057)	(1,057)
As at 31 July 2014	<u>-</u>	<u>5,117</u>	<u>5,150</u>	<u>10,267</u>
Net Book Value				
As at 31 July 2014	<u>-</u>	<u>58,526</u>	<u>4,645</u>	<u>63,171</u>
Net Book Value				
As at 1 August 2013	<u>420</u>	<u>55,385</u>	<u>4,909</u>	<u>60,714</u>

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2014

13 Tangible Fixed Assets (continued)

Assets under construction relate to the Phase 3 STEM Centre new build project. Practical completion took place on 29th July 2014, at which point the costs incurred to date were transferred into the correct asset category and depreciated in line with College policy.

Buildings refurbishment in relation to the Horwich campus with a net book value of £208,951 (2012/13:£249,458) 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 £110,016 (2012/13: £211,517) in respect of assets held under finance leases. Depreciation charged in the year on these assets amounted to £101,501 (2012/13: £99,467).

14 Investments

	2014	2013
	£000	£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.

On the 23rd December 2013, the College sold its share interest in Watertrain Ltd for a consideration of £50,000. There were no dividends receivable for 2013/2014.

To the date of sale, management considered Watertrain Limited to be an associated company of the College on the basis that, through its shareholding and board representation, the College could exert significant influence over the company. However, the College was not in a position to 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

	2014	2013
	£000	£000
Amounts falling due within one year		
Trade debtors	128	191
Prepayments and accrued income	643	441
Amounts owed by Funding Agencies within one year	82	-
	<u>853</u>	<u>632</u>
Amounts falling due after one year		
Other debtors	20	20
	<u>20</u>	<u>20</u>

16 Cash at Bank

	2014	2013
	£000	£000
Cash and short term investments	3,055	7,137
	<u>3,055</u>	<u>7,137</u>

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2014

17 Creditors: Amounts falling due within one year

	2014	2013
	£000	£000
Bank loans	1,647	295
Obligations under finance leases	97	102
Trade creditors	506	523
Other taxation and social security	222	251
Deferred income	163	183
Accruals	524	941
Other creditors	996	160
Amounts owed to Funding Agencies	162	1,583
	<u>14,317</u>	<u>4,040</u>

As at the year end, the College was in breach of the bank loan covenant, and as such, the College's borrowings have been re-classified as falling due within one year of the balance sheet date, as required by Financial Reporting Standards.

Other creditors includes £892,324 (2012/13 £Nil) in respect of outstanding invoices relating to the STEM Centre and IT infrastructure.

18 Creditors: Amounts falling due after one year

	2014	2013
	£000	£000
Bank loans	-	11,647
Obligations under finance leases	-	97
Deferred income - Horwich refurbishment	79	105
	<u>79</u>	<u>11,849</u>

19 Analysis of Borrowings of the College

(a) Bank Loans and Overdrafts

	2014	2013
	£000	£000
In one year or less	11,647	295
Between one and two years	-	309
Between two and five years	-	1,017
In five years or more	-	10,321
	<u>11,647</u>	<u>11,942</u>

The College has an unsecured facility with Barclays to finance the Deane Road campus building. This is a long term facility of £12.65m, £10m of which is fixed at 6.85% payable monthly and the balance continues at a variable rate, payable quarterly. The facility commenced 2010 and is fully repaid by 2035.

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2014

19 Analysis of Borrowings of the College (continued)

(b) Finance Leases

	2014	2013
	£000	£000
The net finance leases to which the College is committed are:		
In one year or less	97	102
Between two and five years	-	97
	<u>97</u>	<u>199</u>

20 Provisions for Liabilities and Charges

	Other	Restructuring	Horwich Onerous Lease	Horwich dilapidations	Enhanced Pension	Total
				£000	£000	£000
At 1 August 2013	-	21	-	150	3,246	3,417
Expenditure in the period	-	(21)	-	-	(220)	(241)
Transferred to income and expenditure account	154	75	1,670	10	188	2,097
At 31 July 2014	<u>154</u>	<u>75</u>	<u>1,670</u>	<u>160</u>	<u>3,214</u>	<u>5,273</u>

The restructuring provision relates to the estimated costs expected to arise from the proposals as approved by the Corporation.

The Horwich dilapidations provision relates to a legal obligation to return the leased building to its original state on termination of the agreement in 2018. 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. The College has appointed a firm of property advisors to assist in attaining a mutually beneficial exit from the contractual obligations of the lease. Until the potential is known, the Horwich dilapidation provision remains.

During 2013/14, the College vacated the Horwich Campus, and despite the continuing lease cost liability, there is no further economic benefit accruing to the College. Therefore, in accordance with FRS 12, an onerous lease provision has been created for the full estimated unavoidable lease and other costs to be incurred prior to the lease termination date in 2018.

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:

	2014	2013
Interest rate	4.06%	4.28%
Net interest rate	2.25%	2.50%

21 Deferred Capital Grants

	Funding Body Grants	Other Grants	Total Grants
	£000	£000	£000
At 1 August 2013	47,608	12	47,620
Cash received	1,294	2	1,296
Released to income and expenditure account	(1,691)	(6)	(1,697)
Total	<u>47,211</u>	<u>8</u>	<u>47,219</u>

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2014

22 Movement on General Reserves

	2014 £000	2013 £000
Income and Expenditure Account		
At 1 August	(4,596)	(7,447)
Retained (deficit)/surplus for the year	(1,530)	68
Actuarial (loss)/gain in respect of pension scheme (note 29)	(3,106)	2,783
At 31 July	<u><u>(9,232)</u></u>	<u><u>(4,596)</u></u>
 Balance represented by:		
Pension reserve	(9,465)	(6,199)
Income and expenditure account reserve excluding pension reserve	233	1,603
At 31 July	<u><u>(9,232)</u></u>	<u><u>(4,596)</u></u>
 Restricted Reserve (Trust Funds)		
At 1 August and 31 July	<u><u>6</u></u>	<u><u>6</u></u>

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

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation.	(1,530)	68
Depreciation (note 13)	2,432	2,721
Deferred capital grants released to income (note 21)	(1,697)	(2,516)
Loss on disposal of tangible fixed assets	1	24
Other interest payable (note 10)	693	1,226
FRS17 pension cost less contributions payable (notes 7 and 29)	178	158
FRS17 pension finance cost (note 29)	(18)	228
(Decrease)/increase in stocks	4	(2)
(Increase)/decrease in debtors (note 15)	(221)	174
(Decrease)/increase in creditors (note 17)	(695)	230
Increase/(decrease) in provisions (note 20)	1,856	(1,057)
Interest receivable (note 6)	(60)	(94)
Net cash inflow/(outflow) from operating activities	<u><u>943</u></u>	<u><u>1,159</u></u>

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2014

24 Returns on Investments and Servicing of Finance

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Interest received	60	94
Interest paid	(693)	(1,226)
Net cash outflow from returns on investments and servicing of finance	(633)	(1,132)

25 Capital Expenditure and Financial Investment

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Purchase of tangible fixed assets	(3,998)	(2,037)
Proceeds on sale of tangible fixed assets	1	3
Deferred capital grants received	2	15,044
Net cash outflow for capital expenditure and financial investment	(3,995)	13,010

26 Financing

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
New unsecured loans repayable by 2020	-	545
Repayment of amounts borrowed	(295)	(13,304)
New finance leases	-	305
Capital element of finance lease rental payments	(102)	(106)
Net cash outflow from financing	(397)	(12,560)

27 Analysis of change in net debt

	At 31 July 2013 £000	Cashflows £000	At 31 July 2014 £000
Cash in hand, and at bank	7,137	(4,082)	3,055
	<u>7,137</u>	<u>(4,082)</u>	<u>3,055</u>
Debt due within 1 year	(295)	(11,352)	(11,647)
Debt due after 1 year	(11,647)	11,647	-
Finance leases	(199)	102	(97)
Total	(5,004)	(3,685)	(8,689)

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2014

28 Cash Flow relating to exceptional items

	2014	2013
	£000	£000
Provision as at 1 August	-	-
Income & expenditure account charge	-	-
Operating cash outflow	1,670	-
	<u>-</u>	<u>1,011</u>
	<u>1,670</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	2014	2013
	£000	£000
Teacher's Pension Scheme: Contributions paid	677	714
Local Government Pension Scheme: Contributions Paid	690	696
FRS17 charge	<u>178</u>	<u>158</u>
Charge to the Income & Expenditure Account (staff costs)	868	854
Total Pension Cost for Year	<u>1,545</u>	<u>1,568</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was at 31 March 2004 and on the LGPS 31 March 2013.

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

The Teachers' Pension Budgeting and Valuation Account

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

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2014

29 Pensions and Similar Obligations (Continued)

The Teachers' Pension Budgeting and Valuation Account (continued)

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

Valuation of Teachers' Pension scheme

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

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

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £677k (2013: £714k).

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2014

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

total contributions for the year ended 31 July 2014 was £927,000, of which employer contributions totalled £690,000 and employee contributions totalled £237,000. The agreed contribution rate for future years are 18.0% 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 2013 updated to 31 July 2014 by a qualified independent actuary.

Principal Actuarial Assumptions

	At 31 July 2014	At 31 July 2013
Rate of increase in salaries	3.80%	4.60%
Rate of increase for pensions in payment/inflation	2.70%	2.80%
Discount rate for scheme liabilities	4.00%	4.60%
Expected Return on Assets	5.80%	5.80%
Commutation of pensions to lump sums		
Pre April 2008	55%	50%
Post April 2008	80%	

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

	At 31 July 2014	At 31 July 2013
<i>Retiring today</i>		
Males	21.40	20.10
Females	24.00	22.90
<i>Retiring in 20 years</i>		
Males	24.00	22.50
Females	26.60	25.00

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

	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014 £000	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013 £000
Equities	6.6%	18,214	6.5%	18,470
Bonds	3.6%	4,618	3.7%	4,617
Property	4.7%	1,539	4.6%	1,539
Cash	3.6%	1,283	3.4%	1,026
Total Market Value of assets		<u>25,654</u>		<u>25,652</u>
Present Value of scheme liabilities				
- Funded		(35,119)		(31,851)
Deficit in the scheme		<u>(9,465)</u>		<u>(6,199)</u>

The following information is based upon full actuarial valuation of the fund at 31 March 2010 updated to 31 July 2014 by a qualified independent actuary.

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2014

29 Pensions and Similar Obligations (Continued)

Analysis of the amount charged to income and expenditure account

	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Employer service cost (net of employee contributions)	865	854
Total operating charge	865	854
Analysis of pension finance income		
Expected return on pension scheme assets	1,480	1,004
Interest on pension liabilities	(1,462)	(1,232)
Pension finance cost	18	(228)
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 (loss)/gain	(3,106)	2,783

Movement in deficit during year

Deficit in scheme at 1 August	(6,199)	(8,596)
Movement in year:		
Employer service cost (net of employee contributions)	(865)	(854)
Employer contributions	690	696
Settlements & Curtailments	(3)	-
Past service gain	-	-
Net return on assets	18	(228)
Actuarial (loss)/gain	(3,106)	2,783
Deficit in scheme at 31 July	(9,465)	(6,199)

Asset and Liability Reconciliation

	2014 £'000	2013 £'000
Reconciliation of Liabilities		
Liabilities at start of period	31,851	29,951
Current service cost	865	854
Interest cost	1,462	1,232
Employee contributions	237	245
Actuarial loss	1,878	494
Benefits paid	(1,177)	(925)
Curtailments and settlements	3	-
Liabilities at end of period	35,119	31,851
Reconciliation of Assets		
Assets at start of period	25,652	21,355
Expected return on assets	1,480	1,004
Actuarial (loss)/gain	(1,228)	3,277
Employer contributions	690	696
Employee contributions	237	245
Benefits paid	(1,177)	(925)
Assets at end of period	25,654	25,652

The estimated value of employer contributions for the year ended 31 July 2015 is £790,000.

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2014

29 Pensions and Similar Obligations (Continued)

History of experience gains and losses	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Difference between the expected and actual return on assets	(1,228)	3,277	(744)	1,345	1,391
Experience gains/(losses) on scheme liabilities:	363	-	(329)	1,237	-
Total amount recognised in STRGL	(3,106)	2,783	(4,159)	3,612	(390)

30 Financial Commitments

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

	31 July 2014	31 July 2013
	£000	£000
Land and Buildings		
Expiring between two and five years inclusive	311	311
Expiring in over five years	-	-
	<u>311</u>	<u>311</u>
Other		
Expiring between two and five years inclusive	85	111
	<u>85</u>	<u>111</u>

31 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.

The total expenses (travel, subsistence and other out of pocket expenses incurred in attending Governors meetings and charity events in their official capacity) paid to or on behalf of the governors during the year was nil (12/13: Nil).

No governor has received any remuneration or waived payments from the College during the year (2012: None).

Transactions with the funding bodies and HEFCE are detailed in notes 2, 15, 17 and 21.

During the year, the College invoiced Watertrain Limited, its associated company, amounts totalling £126,263 (2013: £328,778) for provisions delivered on its behalf. As at 31 July 2014, nothing was owed to the College by Watertrain Limited (2013: £57,675.)

BOLTON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 JULY 2014

32 Amounts disbursed as agent

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Learner Support Funds		
Funding body grants - hardship support	253	487
Funding body grants - childcare	233	89
Supplementary LSF awarded in year		
Other Funding Body grants	2	2
Interest Earned	-	-
	<u>488</u>	<u>578</u>
Disbursed to Students	(375)	(523)
Administration costs	(24)	(28)
Balance unspent as at 31 July, included in creditors	<u><u>89</u></u>	<u><u>27</u></u>