

**University of Bolton**

**Financial Statements 2013-14**

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## **Operating and Financial Review 2013-14**

### **Context**

The University of Bolton's financial performance in 2013-14 continued to be robust with a minimal level of debt, an improvement in retention rates and a consistent commitment to inclusive excellence.

Taking into account the above and reflecting continued progress in terms of recruitment and despite the reduction in income from other services rendered, research and international student recruitment on and off campus, the University was able to record a surplus of £3,298,000 on a historical cost basis.

### **Recruitment and Funding**

In this year the University saw the continuation of the phased withdrawal of the funding council's block teaching grant and its gradual replacement by the increased student loan. Students on the first two years of conventional three year full time degree programmes are now on the new funding arrangements and only those in the third year are still on the previous regime. This has two immediate consequences for the University in terms of financial planning and management. The first is that the University's income is far more sensitive than it used to be to the effects of under or over-recruitment and to student retention and attrition. The second is that far more of the University's income is now coming directly from the Student Loan Company in three tranches in October (25%), February (25%) and May (50%), rather than in monthly instalments from the funding council. This makes the management of the University's cash-flow more critical than before and the retention of students even more important.

In this context, the uncertainty surrounding student demand in a changed funding regime has meant that the trajectory of application data over the previous year was closely monitored to see if the drop in applications in 2012-13 would continue in 2013-14. In the event, applications were up on those for 2012-13 though still down compared to the last year of the old funding regime, 2011-12. Nonetheless, applications and acceptances held up and the University, over the year, recruited to within its Student Number Control tolerance. At the same time, retention continued to improve, recruitment of students with entry qualifications of at least A level "ABB" (or equivalent) was better than predicted and the University recruited substantial numbers of students not funded by the Higher Education Funding Council for England (HEFCE) mainly, though not exclusively, NHS funded. All of this, taken in the context of an improved financial outturn for the previous year, meant that the University was in a strong financial shape throughout the year thereby enabling significant investment in key areas.

In the light of this, the University is embarked upon a strategy with the following key aim: to reposition and strengthen the University giving effect to its growth, maturity and longevity.

### **Key Developments:**

#### **Bolton One**

Bolton One is the building, first opened in 2012, which is the result of a unique three way partnership between the University, Bolton Council and what was NHS Bolton. It houses University teaching and research facilities, including specialist teaching clinics, as well as Council leisure facilities and NHS walk-in centres and out-patient clinics. The building itself is a key factor in the continuing high demand by potential students for places on programmes in Health, Sports Science and Sports Rehabilitation as well as being a forum in which academics, students, health professionals and members of the public can meet naturally and benefit from the networks that are created and the events which take place there. The University's Centre for Research into Health and Wellbeing is now based in Bolton One and, in 2013-14, ran a very successful conference and a number of public lectures aimed at

bringing key stakeholders together to promote research-informed health education and awareness. The Centre hosts and acts as a base for the award-winning National Forum for Health and Wellbeing which organises health education and awareness events across the North West.

In February 2014, the University completed the creation of specialist accommodation for a dental practice which will become a hub for the development of undergraduate and postgraduate programmes for Dental Care Practitioners, as well as postgraduate CPD for dentists. The next phase of this initiative will see the creation of new dental clinical simulation facilities in Bolton One which will support the rollout of these programmes over the next three years.

### **University Technical College (UTC)**

The University in conjunction with key employers submitted a bid for a UTC to be based in Bolton, the only UTC in the country currently proposed to be physically located on a University campus. This bid was approved in January 2014 and the curriculum and governance arrangements are well developed.

The UTC will offer a general education to 14-19 year olds, with specialism in Health Sciences and Engineering Technologies. Its first intake is scheduled for September 2015, with the intention of recruiting 240 students split equally between years 10 and 12.

In June and July 2014 the University conducted a public consultation exercise which showed that 83% of the 317 respondents agreed establishing a UTC in Bolton was a positive development.

The University is the HE partner for the Oldham-based UTC which received Department of Education approval last year and recruited its first intake in September 2014.

### **Centre for Advanced Performance Engineering (CAPE)**

The first students to be accepted onto the newly validated programmes in Automotive Performance Engineering and Motorsport Technology enrolled in September 2013 and, in the same month, the University, in conjunction with the Backstage Academy, hosted the launch of the "Bolt" supercar which showcased the work of the Centre and its programmes. This was the first of a series of high profile events, including races and track-days, designed to increase awareness of the Centre and to continue to build recruitment to its programmes.

CAPE will become a crucial part of the University's long term vision to grow and develop the Science, Technology Engineering and Mathematics (STEM) provision which has been part of its traditional educational activities since its inception as a Mechanics' Institute in 1825.

### **Centre for Islamic Finance**

The Centre, launched in May 2012 by an inaugural lecture given by Dr Ahmed Ali, President of the Islamic Development Bank, has continued to grow and develop. Alongside a very strong international demand by students wishing to pursue doctoral level study in Islamic finance and banking in Bolton, there has been widespread interest in the possibility of collaborative activities and initiatives from a range of international financial institutions and infrastructure providers. The Islamic Development Bank's generous donation to the University Library of a substantial number of key texts in this area has formed the nucleus of what promises to be an unrivalled resource which will support the Centre's continuing growth. This year saw the first intake of students onto the Master's programme in Islamic Banking awarded jointly with the University of Sarajevo and delivered in Bosnia-Herzegovina and plans are well developed for an MBA in Islamic Banking to be delivered simultaneously in Bolton and Bahrain.

## **Progress on Research**

The University has continued to develop its Research and Graduate School, in order to provide central support for the training and development of postgraduate research (PGR) students and new, early-career, post-doctoral researchers. The RAE 08 QR funding continues to be used to support the growth of capacity and capability in the supervision of PGR students and this year has seen a further increase in those numbers, a growth which is limited only by the availability of trained and experienced PGR supervisors. The University also continues to support staff, who wish to improve their academic qualifications, to follow a route towards a doctoral qualification by thesis, by published work or by practice.

This year the University's research efforts have focussed on preparations for its submission to the Research Excellence Framework, which was made in November 2013, the results of which will be available in December 2014.

The University continues to successfully leverage research monies from the HEFCE QR grant to obtain funding from elsewhere. This year income for (non-HEFCE) Research Grants and Contracts amounted to c. £1.25m, coming from charities, Research Councils, industry and the EU. Funded research of this kind is usually based in the University's main research institutes: the Institute for Materials Research and Innovation (IMRI), the Institute for Renewable Energy and Environmental Technologies and the Institute for Educational Cybernetics (IEC). By way of example, IMRI has been part of a European funded project on tendon regeneration worth c. £1.3m and IEC continues to be the national centre for research into educational technology standards and interoperability and receives c. £0.7m pa from the Universities Joint Information Systems Committee and from European Union funding for e-learning and educational technology projects.

High quality research also takes place in other areas within the University – Psychology, English & Creative Writing, Art and Design, Leisure and Sports Studies, Business Information Systems and Health and Wellbeing – however these areas do not and will not attract the same level of external funding.

### **Public Benefit:**

The University continues to demonstrate public benefit and civic impact through its core activities as well as through connected initiatives, projects and activities:

- It continues to offer educational opportunities to students from groups and communities traditionally under-represented in higher education, especially those based in Bolton and the North West. It is still one of the most socially inclusive universities in the country and meets, or exceeds, all its HEFCE benchmarks for social inclusion, especially for Black, Asian and Minority Ethnic (BAME) groups and for students with disabilities.
- The University works in partnership with a number of public sector agencies, educational partners and community groups to improve the economic prospects and social mobility of Bolton and the North West. The Bolton Education Zone partnership, between the University, Bolton College and Bolton Sixth Form College, continues to work actively to highlight, promote and advocate educational opportunities and progression routes in Bolton and to cooperate to facilitate these through shared activities. Within the Zone, the University Technical College situated on the University's campus will develop and enhance those activities. The University is also a full and active partner in the Bolton Vision Group which brings together key stakeholders to secure the regeneration, future growth and development of the town.
- It has an active involvement in the cultural life of the town, region and country – symbolised

by its sponsorship of the Octagon Theatre and its partnership work with the Bolton Museum.

- It works with local voluntary agencies and charities such as Bolton at Home, Bolton Rotary Club and Bolton Lads' and Girls' Club to help create equality of opportunity and community cohesion in Bolton and beyond. It hosts and facilitates the Bolton Virtual College for Looked After Children and Care Leavers and is a member of the Greater Manchester Looked After Children's Forum. The University's Centre for Research into Health and Wellbeing works closely with the Council, the Bolton Clinical Commissioning Group and the Royal Bolton Hospital Trust to research into and promote health education and awareness amongst the local community and, through its support for the National Forum on Health and Wellbeing, the same work is actively carried out across the North West.
- Its applied research and knowledge transfer activities support business and industry, the NHS, the Further Education sector and community bodies.
- Through its engagement with international students both here in the UK and also at its partnership centres across the world, the University demonstrates a commitment to internationalism and the bringing together of cultures through education which is also evidenced in the globalisation strand which is embedded in the curriculum of every one of its undergraduate programmes.

Many of these University activities are described in more detail below.

### **Employer Engagement and Knowledge Exchange**

The University was an active partner in the European Regional Development Fund (ERDF) Unite with Business Project working with eight North West universities to disseminate good practice in regard to graduate employability. The main aim of the project was to provide 150 hours of paid support to local SMEs (small and medium-sized enterprises). These 'business assists' were carried out by final year undergraduates or recent graduates and around thirty recent graduates have gained employment or started their own businesses as a result of the project. The project has been extended, with an additional grant of £190,000, to December 2014.

The University was also involved in another ERDF project, the Enterprise Champions Project, as part of which the University has run a series of "bootcamps" aimed at helping current and recent graduates start up their own business. These with other activities have resulted in 21 business start-ups and 32 jobs created.

The University continues to work with UnionLearn to support and facilitate the professional development of Trade Union representatives and officials. Local charitable funding from the Marriot Trust, has supported the University in delivering a number of community focussed projects including scholarships and student exchanges in the areas of social cohesion, the medical application of auxetic materials, the history of leisure in Bolton, sports rehabilitation and in support of the Humphrey Spender mass observation project.

### **Off Campus Activities**

During 2013-14, the University's Off Campus Division (OFCD) has successfully increased the off-campus student numbers and income. This is in-line with the OFCD strategy to improve the revenues, surplus generation and academic contribution to the University through the delivery of high quality programmes in collaboration with strong partners within the UK and internationally.

Total OFCD income has increased from £4.9m in 2012-13 to £5.4m in 2013-14: contribution to the University improved from £577k to £909k during the same period. Based on various developments undertaken recently, including the following key partnerships and operational enhancements, the

OFCD is also expected to achieve c. 25% growth in 2014-15 in terms of revenues, student numbers and surplus generation.

- A number of new major partnerships, with significant growth potential, have been developed within the UK and overseas (e.g. Barnet & Southgate College, Legenda LEG Group Malaysia, IDM-Botswana etc.).
- New undergraduate, taught postgraduate and postgraduate research programmes were developed with the high quality existing partner institutions with potential for further growth (e.g. Bury College, Backstage Academy, New York College Athens etc.)
- The governance arrangements for collaborative partnerships have been revised and formalised covering new partners, new programmes at existing partners and the overall partnerships management.
- Financial management for OFCD has been streamlined including establishment of a robust process to identify and manage debt related issues with partner institutions.
- Quality processes and systems, including validations management, have been optimised to ensure that the OFCD achieved healthy growth academically and financially while delivering high quality courses to students with partner institutions.

### **Widening Participation and the Student Body**

The University's record in widening participation in higher education is amongst the best in the North West:

- 49% of entrants (under 21) to first degree programmes are from National Statistics – Socio-Economic Classification groups 4, 5, 6 and 7, which is well above the University's HESA benchmark of 41.2%. Further, 99.4% of these entrants were from state schools or colleges, which again is well above the University's HESA benchmark of 96.5%.
- 55% of the University's full-time undergraduates are mature (over 21), which is significantly higher than the sector average.
- 35% of its total student body study part-time; many of these students are sponsored by employers and engaged in career development.
- 30% of its students declare as members of an ethnic minority, which has seen an increase since 2012-13 and significantly higher than the sector average.
- 46% of the University's students are male, against the national trend, which has seen male participation rates, particularly among white males from socially under-represented groups, decline.
- 12% of its total student body are declared as disabled. The percentages for the disabled student population compared to the overall student population have steadily risen over the last five years at the University and far exceeds the sector average.

All of these factors indicate the extent to which the University serves a very diverse student community and offers educational opportunity to those groups under-represented in higher education, especially in the North West of England. It also endeavours to offer opportunities for higher education progression and continuing education for those in work and with vocational qualifications as well as academic qualifications.

### **Equality and Diversity**

The University of Bolton is one of the most inclusive universities in England and its recruitment of students from underrepresented groups as shown by gender, ethnicity or social group substantially exceeds the HEFCE benchmarks.

The gender balance within the University workforce has remained comparable with that in the same period in the previous academic year. There has also been a slight increase in the proportion of ethnic minority staff employed in academic roles although there was a slight decrease in the proportion of ethnic minority staff in professional roles. The proportion of staff with a declared disability saw a slight increase.

The University has faced no particular challenges in recruiting or maintaining an appropriately diverse workforce and this is true at all levels, including senior staff. The Organisational Development, Equality and Diversity Committee undertakes the task of monitoring the relevant data and advises the Vice Chancellor's Group on equality and diversity. Revised terms of reference for this Committee and an updated Equality & Diversity Policy were introduced in the period 1 August 2013 to 31 July 2014.

All new policies and organisational initiatives are subject to a full Equality Impact Assessment, and no issues have been identified by that process. The University has a current Equal Opportunity Policy and Action Plan which is reviewed and updated on a regular basis.

### **Addressing the Environmental Sustainability Agenda**

The University Environmental Sustainability Group meets bi-monthly and is overseeing work on the following: promoting the efficient use of University resources; disposing of materials in a responsible manner; reducing waste; promoting recycling and reuse wherever possible; developing a purchasing policy that promotes sustainability and encourages suppliers to follow good practice; and managing the use of energy and water to reduce consumption. This year the University has put in place arrangements to ensure that the whole campus uses eco-friendly paper from sustainably managed forests and that energy procurement is primarily from sustainable resources. The Group continues to oversee estates and facilities improvements which are helping to deliver the University's carbon reduction.

### **Financial**

The University has reported a surplus of £3,298,000 (2013: £2,274,000) (on a historical cost basis) which is equal to 7.3% (2013: 5.0%) of turnover in the year.

### **Key Performance Indicators (KPIs)**

The University measures its performance using a variety of tools. Easily quantifiable measures that consider past financial performance covering surplus generation, finance and liquidity, growth and capital employed have all performed well given the challenges faced.

The University's KPIs for short term sustainability are achievement of the budgeted operating surplus/deficit and maintenance of cash balances at or above the budgeted level.

Longer term sustainability depends on the University's ability to continue to attract and retain students on our campus, and develop other income in a highly competitive and rapidly changing international market place for higher education.

The University's KPIs for long term sustainability will be measured by the achievement of targeted progress towards platinisation of provision, continued improvement of the quality of the campus estate and facilities, and achievement of income targets for off campus operations.

The combination of short and long term sustainability has served the University well and is considered by the Board to be a sound basis going forward.



## Outlook and future risks

The University initially established a tiered fee structure for the new funding regime, which kept it within the government's guideline of maintaining its average fees below £7,500 for home funded full time students; this maintained the University's allocated student numbers (SNC) which the University recruited, and thus maximised its fee income for the year 2012-13. This position was successfully consolidated in 2013-14.

Looking ahead however the challenges are unlikely to decrease in an ever increasingly competitive marketplace void of any student number control mechanism.

In response, the Board of Governors will continue to guide the University in the furtherance of its strategic aims with the assurance that the accumulation of reserves and cash already achieved provides the University with the financial strength to withstand and respond to any unanticipated shocks which might occur, and the means and confidence to invest in the quality of academic and infrastructure provision required to deliver its platinum agenda.

## Performance

	2013-14	2012-13
	£'000	£'000
Income	45,249	45,106
Expenditure	<u>41,606</u>	<u>42,473</u>
Surplus before FRS17 and Exceptional Item	3,643	2,633
FRS17 Pensions Adjustment	<u>(247)</u>	<u>(951)</u>
Surplus after FRS17 Pension Adjustment	3,396	1,682
Exceptional Item (see note 12)	<u>(996)</u>	<u>0</u>
Surplus after Depreciation of Assets at Valuation	2,400	1,682
Release from Capital Reserve	<u>898</u>	<u>592</u>
Historical Cost Surplus	<u>3,298</u>	<u>2,274</u>
Historical Cost Surplus as percentage of Income	7.3%	5.0%

## Operating Surplus

The operating surplus was £3,396,000 (2013: £1,682,000).

## Liquidity

Operating performance has helped to maintain strong cash balances through the year.

The University's Financial Strategy sets a target of cash balances being maintained at, or higher than, 6% of turnover. This would equate to a value of £2,715,000 in 2013-14. This target was achieved during 2006-07 and has been maintained since then. During the year the cash balance increased to £24,430,000 as shown in the Balance Sheet on page 27 of the Financial Statements.

There was a net inflow of cash in 2013-14, mainly arising from Operating Activities. The University's cash balances remain ahead of the target set in the financial strategy.

<u>Liquidity Ratios</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
External Borrowing as % of Income	9.3%	13.5%	15.6%
Net Cash Flow from Operations as % of Income	12.9%	9.9%	6.9%
Net Liquidity	226 days	184 days	135 days

### **Reserves**

At 31 July 2014 the University's Income & Expenditure Account reserves amounted to £23,156,000 before the impact of FRS17. The volatile pension reserve increased to a cumulative deficit of £15,698,000 which led to a reduction in the retained reserves despite the good operating performance.

### **Borrowings**

The University's current borrowings relate to the finance leases in respect of the two Halls of Residence, and the amount to be repaid to HEFCE in respect of the repayable grant that was received in 2012 in respect of Bolton One.

### **Sustainability**

There have been several factors bearing upon 2013-14 recruitment nationally which will affect the higher education sector going forward. There are fewer undergraduate students; a significant reduction in international students; and a reduction in part time recruitment because of employers limiting staff training funds.

This has impacted on the University, which has put in place schemes to review its costs and redesign its business processes. The successful implementation of the scheme and business redesign should enable the University to re-invest and re-build for the future.

### **Going concern**

The activities of the University, together with the factors likely to affect its future development and performance are set out in this Operating and Financial Review. The financial position of the University, its cash flows, liquidity and borrowings are described in the Financial Statements and accompanying notes.

The Governors and management have reviewed future cash flow projections which demonstrates ongoing positive cash flows. They are aware of the potential impact that the general economic climate and the changes to the funding regime could continue to have upon funding directly and indirectly available to the University and have considered the various scenarios that a potential reduction in income levels could give rise to. The Governors and management have also considered the impact that the change in the funding regime will continue to have on the working capital requirements.

After undertaking the review, the Governors and management have a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future, and for this reason adopt the going concern basis in the preparation of the University's Financial Statements.

### **Disclosure of Information to Auditors**

The members of the Board of Governors who held office at the date of approval of the report confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware; and each member 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 University's auditors are aware of that information.

Signed on behalf of the Board by:

Rt Reverend N McCulloch KCVO  
Chair of the Board of Governors

12 November 2014

**Members of the Board of Governors:  
1 August 2013 to 31 July 2014**

<b>Name</b>	<b>Category</b>	<b>Sub-Committee Membership</b>	<b>Note</b>
Ms M Neville-Rolfe CB BA LLD (Honoris Causa)	Independent	Resources Remuneration Nominations Ad Hoc	Chair of the Board to 30.11.2013
Rt Reverend N McCulloch KCVO MA Hon DCL DLitt (Honoris Causa) DEd (Honoris Causa)	Independent	Resources Nominations Remuneration Ad Hoc	Deputy Chair of the Board to 30.11.2013 Chair of the Board from 01.12.2013
HH Prof W Morris MA Cantab (Hons) LLD (Honoris Causa)	Independent	Audit Nominations Ad Hoc	Deputy Chair of the Board from 20.01.2014
Mr M Sheen BA PGCE FCA CTA	Independent	Audit Remuneration Ad Hoc	Chair of Audit Committee
Dr N Myerson LLB Solicitor of the Supreme Court LLD (Honoris Causa)	Independent	Resources Remuneration Ad Hoc	Chair of Resources Committee
Prof A Banerjee OBE JP DSc (Hons) FRCP	Independent	Resources Nominations Ad Hoc	
Mr S Conn FCA FIPA	Independent	Resources Nominations Remuneration Ad Hoc	
Mr R Gould MA (Hons) FCA CCMI	Independent	Resources Remuneration Ad Hoc	
Dr S Kay LLB Barrister LLD (Honoris Causa)	Independent	Audit Nominations Ad Hoc	To 30.11.2013
Dr A Keating MBA HND Eng MIDGTE DEng (Honoris Causa)	Independent	Resources Ad Hoc	
Mrs M J Leeming LLB (Hons)	Independent	Audit Nominations Ad Hoc	From 01.12.2013
Mr C Wewer DL BA (Hons) BArch RIBA R1	Independent	Audit Ad Hoc	From 18.02.2014
Dr G Richards BA Med EdD (Honoris Causa)	Statutory Co-opted	Audit	To 09.10.2013

Prof R Lewis BA (Hons) MA BPhil PGCE MA	Statutory Co-opted	Audit Remuneration Ad Hoc	Independent Member to 17.02.2014 Statutory Co-opted Member from 18.02.2014
Prof G E Holmes BSc (Hons) MBA PGCE PhD FInstD	Vice Chancellor	Resources Nominations Remuneration	
Mrs A Fitzpatrick MSc BSc (Hons) SRP MCSP PGCE HEA	Senate Member	Nominations	
Ms G Waugh BA (Hons) CertEd PGDE (PCET) Post Grad Dip Med MA Fellow of the Institute for Learning	Senate Member		From 12.11.2013
Dr T Speake DA BA MA FHEA FRPS PhD	Academic Co-opted		
Ms D Morris DipCam (DigitalM) MA MCIPR	Support Staff Co-opted	Nominations	
Mr A Johnson BA (Hons)	Students' Union President		To 30.06.14
Mr A Kaddu BA PGDE	Students' Union President		From 01.07.2014
Mr B Priso Bongue HND BEng MSc	Student Elected Member		To 30.06.2014
Mr M Khan BSc MBA	Student Elected Member		From 01.07.2014

## **Principal Advisors to the University**

### **Bankers**

Co-operative Bank plc, PO Box 101, 1 Balloon Street, Manchester, M60 4EP

Lloyds Banking Group, 53 Kings Street, Manchester, M60 2ES

### **External Legal Advisors**

DLA Piper LLP, India Buildings, Water Street, Liverpool, L2 0NH

JMW Solicitors LLP, 1 Byrom Place, Spinningfields, Manchester, M3 3HG

Eversheds LLP, Eversheds House, 70 Bridgewater Street, Manchester, M1 5ES

King's Chambers, 36 Young Street, Manchester, M3 3FT

42 Bedford Row Chambers, London WC1R 4LL

Atlantic Chambers, 4 - 6 Cook Street, Liverpool, L2 9QU

### **External Auditors**

Grant Thornton UK LLP, 4 Hardman Square, Spinningfields, Manchester, M3 3EB

### **Internal Audit**

UNIAC, 4<sup>th</sup> Floor, St James Building, Oxford Street, Manchester, M1 6FQ (To 10.07.2014)

PricewaterhouseCoopers LLP, 101 Barbirolli Square, Lower Mosley Street, Manchester, M2 3PW

## **Statement of Corporate Governance and Internal Control**

The purpose of this statement is to provide readers of the Financial Statements of The University of Bolton with information about its governance and legal structure. This summary outlines the manner in which the Governing Body, and through it the University being a body entrusted with both public and private funds, has fulfilled its duty to maintain the highest standards of Corporate Governance.

The Governing Body is committed to exhibiting best practice in all aspects of Corporate Governance and, throughout the period, has endeavoured to:

- conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life, namely selflessness, integrity, objectivity, accountability, openness, honesty and leadership;
- follow the voluntary Committee of University Chairs (CUC) Governance Code of Practice contained in 'Guide for members of higher education governing bodies in the UK: Incorporates the governance code of practice and general principles' (HEFCE 2009/14) and, in particular, by adoption of a Statement of Primary Responsibilities;
- comply with the Higher Education Funding Council for England's (HEFCE) 'Model Finance Memorandum between HEFCE and institutions' (June 2010/19); and
- have regard to the advice and guidance as set out in The UK Corporate Governance Code issued by the Financial Reporting Council (September 2014).

### **Governance and Legal Structure**

The University of Bolton is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988. The University's objectives, powers and framework of governance are set out in its 'Statutory Instrument' and 'Articles of Government', as approved by the Privy Council.

The University traces its history to the Bolton Mechanics' Institute, established in 1825 alongside other similar institutions formed to serve the educational needs of employers and workers in the northern industrial towns. During the 19<sup>th</sup> and 20<sup>th</sup> centuries, technical and vocational education grew in Bolton, closely aligned with the growth of textiles and engineering industries, leading to the foundation of the Bolton Technical School in 1891, which became the Bolton Technical College in 1936. Higher level courses were transferred to the new Bolton Institute of Technology in 1966 and in 1982 the Institute merged with the Bolton College of Education (Technical), established in 1947 as one of four specialist centres for the training of teachers for the post-compulsory sector, to form the Bolton Institute of Higher Education. Taught degree awarding powers were granted to the Institute in 1992 at the same time as the former polytechnics, reflecting the fact that degree and postgraduate level provision had been offered successfully since the 1960s under the auspices of the Council for National Academic Awards (CNAA), and the University of Manchester. Research degree awarding powers were gained in 1995 and the Institute was awarded university title in 2005 by Privy Council consent.

The University is an exempt charity and must comply with the terms of the Charities Act 2011. Its charitable trustees who served at any time during the financial year and until the date the Financial Statements are formally approved are those members of the Governing Body listed on pages 11 and 12. The University is satisfied that it has had due regard for the Charity Commission's guidance on public benefit and that required statements appear elsewhere in these Financial Statements.

The Governing Body is the legal personification of the University and holds itself responsible for the strategic direction, the educational character and mission, all financial and property matters and

staffing policies of the University. Academic stewardship is undertaken by the University's Senate, of which the Vice Chancellor is Chair, and the responsibilities of Senate are set out in the University's Articles of Government. Overall accountability for academic matters, in particular academic quality, remains with the Governing Body.

The Chair of the Governing Body plays an important role in the governance of the University while working independently of its regular executive management. The Chair is supported by the Deputy Chair. There is a clear division of responsibility in that the roles of the Chair of the Board and Vice Chancellor are separate.

The Chancellor is the honorary head of the University and is appointed by the Governing Body to act as the principal figurehead and ambassador for the University. The University's current Chancellor is The Rt Hon Sir Ernest Ryder Kt TD DL MA (Cantab) LLD FRSA.

### **The Governing Body**

The Board of Governors comprises up to 18 members, including the Vice Chancellor, and has a majority of independent members, who are external and independent of the University.

It is the Governing Body's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Governing Body has delegated to the Vice Chancellor (as Head and Accountable Officer of the Institution) responsibility for the organisation, direction and management of the University and leadership of its staff.

The Governing Body has a strong and independent non-executive element and no individual or group dominates its decision making process. The Governing Body 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. All Governors are required to exercise their responsibilities in the interests of the institution as a whole rather than as the representative of any constituency.

All Governors have access to the Clerk to the Board of Governors, who is appointed to act as Secretary to the Board and is responsible for the Governance function. The appointment and removal of the Clerk are matters for the Governing Body as a whole.

In accordance with CUC guidance, the University maintains a Register of Interests of Governors and senior managers which is available for inspection on request to the Clerk.

### **Conduct of Business**

The Board of Governors has at least four formal meetings per financial year along with two training days designed to brief members on current and relevant issues, matters and risks. The Board has five sub-committees operating with clearly defined, delegated authority:

- Audit Committee
- Resources Committee
- Nominations Committee
- Remuneration Committee
- Ad hoc Appointments Committee

The average attendance for members of the Board of Governors at full meetings of the Board and at meetings of its sub-committees for the period 31 July 2013 to 1 August 2014 was 80.4%.

The **Audit Committee** formally meets at least three times throughout the financial year, with the University's External and Internal Auditors invited to attend at all meetings. It considers detailed



reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the HEFCE as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives (including the Vice Chancellor) attend meetings of the committee as necessary, they are not committee members. The Chair of the Board of Governors is also precluded from membership.

At least once each financial year, the committee meets the University's External and Internal Auditors without any officers present for independent discussions. Risk management (including the risk register) is a standing item on every agenda, as it is for each scheduled meeting of the Board of Governors, and the committee annually considers, for recommendation to the Board of Governors, the University's Risk Appetite Statement.

The committee is required to produce an annual report for the Governing Body and the accountable officer (which is also sent to HEFCE) that must cover the financial year and include any significant issues up to the date of the report. The report confirms the committee's opinion on the adequacy and effectiveness of the University's arrangements for:

- risk management, control and governance
- economy, efficiency and effectiveness (VFM)
- management and quality assurance of data submitted to the Higher Education Statistics Agency, HEFCE and other bodies.

The audit opinion is based on the information presented to the committee and the data management assurance does not require the committee to verify data.

The **Resources Committee** is an advisory committee and ensures, inter alia, that the University's revenue and capital budgets are prepared in accordance with approved plans and in accordance with the Funding Council requirement that financial solvency is maintained.

The **Nominations Committee** is an advisory committee and makes recommendations for the appointment of Independent Governors with reference to the balance and skills mix of the Governing Body and the needs of the University.

The **Remuneration Committee** is a decision making body and determines the annual remuneration of the designated senior post holders.

The **Ad Hoc Appointments Committee** is an executive body reporting its decisions to the Governing Body and may determine by a majority vote of those present, appointments of Independent Members to the Board of Governors.

Ad-hoc **Board of Governors' working groups** are occasionally established to consider project and risk based oversight tasks.

### **Internal Control**

The University's Governing Body has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Governing Body in the University's governing documents and the Financial Memorandum with HEFCE.

The system of internal control is based on an ongoing process designed to identify risks to the achievement of institutional policies, aims and objectives, to evaluate the nature and extent of those

risks and to manage them effectively and economically. The approach to internal control is risk-based and risk prioritisation is based upon impact and likelihood.

The Governing Body has reviewed the key risks to which the University is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is an ongoing process for identifying, evaluating and managing risk which is linked to achieving institutional objectives, that it has been in place for the year ended 31 July 2014 and up to the date of approval of the Financial Statements of The University of Bolton and that it has been regularly reviewed by the Governing Body.

The Governing Body has responsibility for reviewing the effectiveness of the system of internal control and the following processes have been established:

- it formally meets at least four times each financial year to review the plans and strategic direction of the University;
- formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board and sub-committee meetings. Relevant briefings are also circulated on an ad-hoc basis as required;
- it receives an annual report from the Audit Committee which includes the committee's assessment of the effectiveness of the internal control system (including risk management) during the year;
- it has at least three formal training and review sessions each financial year, at which it interrogates, inter alia, the key strategic issues/risks affecting the sector and the University;
- it receives the confirmed minutes of the Audit Committee, its other sub-committees and Senate, along with regular reports from managers on the steps being taken to manage risk in their areas of responsibility and ongoing operations, including progress reports on key projects;
- the Audit Committee receives regular reports from Internal Audit, which includes Internal Audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement;
- a number of the senior executives are responsible for the promotion, dissemination and co-ordination of risk management processes, including the maintaining of an organisation-wide risk register, and regular reporting to the Audit Committee and Board of Governors;
- the organisation-wide risk register covers business, operational and compliance as well as financial risk and is presented at each formal meeting of the Audit Committee and the Board of Governors thereafter for assessment and interrogation.

Further, during the period 31 July 2013 to 1 August 2014 Governors were informed on a broad range of topics including 'Board Effectiveness'; 'The Role of the Audit Committee'; 'Risks across the Sector'; 'Key Governance Facts and the Role of a Governor' and 'The University's Strategic Plan', and participated in Briefing Days that included tours of the Centre for Advanced Performance Engineering; the Arts and Media Department; the Library and Student Services; Bolton One, and Research Departments.

The Governing Body's review of the effectiveness of the system of internal control is informed by:

- Internal Audit, which observes and complies with the requirements of the HEFCE Audit Code of Practice;

- the work of the senior executive team within the University, who have responsibility for the development and maintenance of the internal control framework; and
- by comments made by the External Auditors in their management letter and other reports.

It is noteworthy that in line with the agreed internal audit programme 2013/14, Internal Audit completed an independent review of Board Effectiveness and concluded with substantial assurance that it was 'impressed with the governance at the University.'

Signed on behalf of the Board by:

Rt Reverend N McCulloch KCVO  
Chair of the Board of Governors

12 November 2014

## **Responsibilities of the Board of Governors**

In accordance with the Education Reform Act 1988 the Board of Governors is responsible for the administration and management of the University's affairs, including an effective system of internal control, and is required to present audited Financial Statements for each financial year which include a statement on corporate governance and internal control.

Working through its established sub-committees, the Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the Financial Statements comply with the Education Reform Act 1988 (as amended by the Further and Higher Education Act 1992), the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England and the University's Board of Governors, the Board of Governors, through its Accountable Officer, is required to prepare Financial Statements for each financial year. Under those terms and conditions, the Board of Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the surplus or deficit of the University for that year. In preparing these Financial Statements, the Board of Governors has ensured that:

- Suitable accounting policies are selected and applied consistently;
- Judgements and estimates are made that are reasonable and prudent;
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Board of Governors is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the Financial Statements.

The Board of Governors has taken reasonable steps to:

- Ensure that funds from the Higher Education Funding Council for England, the National College for Teaching and Leadership and the Chief Executive of Skills Funding are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council, the funding agreement with the Teaching Agency and the Chief Executive of Skills Funding Agency and any other conditions which the Funding Councils may from time to time prescribe;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; safeguard the assets of the University and prevent and detect fraud; and secure the economic, efficient and effective management of the University's resources and expenditure.

Signed on behalf of the Board by:

Rt Reverend N McCulloch KCVO  
Chair of the Board of Governors

12 November 2014

## **Independent auditor's report to the Governing Body of the University of Bolton**

We have audited the financial statements of the University of Bolton (the 'University') for the year ended 31 July 2014 which comprise the statement of principal accounting policies, the income and expenditure account, the statement of recognised surpluses and deficits, the statement of historical cost surpluses and deficits, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, in accordance with paragraph 12(2) of the University's articles of government and section 124B (4) of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992. Our audit work has been undertaken so that we might state to the University's Governing 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 University and its Governing Body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Governing Body and auditor**

As explained more fully in the Governing Body's Responsibilities Statement set out on page 19, the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://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 University's affairs as at 31 July 2014 and of the income and expenditure, recognised gains and losses and cash flows for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

### **Opinion on other matters prescribed by HEFCE's Financial Memorandum dated July 2010 and the funding agreement with the National College for Teaching and Leadership**

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation; and
- funds provided by HEFCE and the National College for Teaching and Leadership have been applied in accordance with the funding council's Financial Memorandum, the funding agreement with the National College for Teaching and Leadership and any other terms and conditions attached to them.

**Independent auditor's report to the Governing Body of the University of Bolton (Continued)**

Matter on which we are required to report by exception

We have nothing to report in respect of where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion, the Statement of Internal Control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University.

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Manchester

## **Statement of Principal Accounting Policies**

### **a) Accounting Convention**

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, and in accordance with both the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) and applicable Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **b) Going Concern**

The activities of the University, 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 University, its cash flows, liquidity and borrowings are described in the Financial Statements and accompanying notes.

The Governors and management have reviewed future cash flow projections which demonstrate ongoing positive cash flows. They are aware of the potential impact that the general economic climate and the changes to the funding regime could continue to have upon funding directly and indirectly available to the University and have considered the various scenarios that a potential reduction in income levels could give rise to. The Governors and management have also considered the impact that the change in the funding regime will continue to have on the working capital requirements.

After undertaking the review, the Governors and management have a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future, and for this reason adopt the going concern basis in the preparation of the University's Financial Statements.

### **c) Scope of the Accounts**

The University has three subsidiary companies, Bolton Institute Enterprises Limited, The University of Bolton Enterprises Company Limited, and Blu U Thefutureversity Limited, all of which are dormant. The three subsidiaries are not material to the group and therefore the University has elected not to prepare consolidated accounts.

Bolton UTC, is a company limited by guarantee, the majority of its members are members of the University's Board of Governors. Since the University's role is advisory rather than controlling, Bolton UTC's accounts are not consolidated.

### **d) Tangible Fixed Assets**

#### **(i) Land and Buildings**

Land and buildings inherited from Bolton MBC and buildings acquired since incorporation are stated in the balance sheet at valuation as at 31 July 2014 on the basis of depreciated replacement cost, with the exception of the Chadwick site and the halls' of residence which were valued on a market value basis.

The depreciation charged (Note 11) is based upon the economic lives of the buildings as determined by the valuation made as at 31 July 2014, and these range between 5 and 70 years.

Freehold land is not depreciated. Freehold buildings will be depreciated over their expected useful economic life to the University of up to 50 years. The University has a policy of depreciating major adaptations to buildings over the period of their useful economic life of up to 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 life of the related asset on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of those assets.

**(ii) Equipment**

Purchases greater than £10,000 since 1 April 1989 have been capitalised at purchase price and will be written down over the period indicated as follows: -

<b>Equipment</b>	<b>Economic Life (Years)</b>
Equipment acquired after 1 August 1998	3
Telephone Equipment	5
Halls of Residence Furniture	10

**e) Income Recognition**

**(i) Funding Council Grants**

HEFCE grant income is accounted for in accordance with the purpose of the grant. Recurrent and other revenue grants are credited directly to the Income and Expenditure Account. Grants, which are applied to acquire tangible fixed assets, are credited to the Income and Expenditure account over the estimated useful life of the assets to which they relate. Grants received from HEFCE, which are attributable to future years, are included in creditors as deferred income.

**(ii) Other Grants**

Certain grants are received for specific purposes. Income from continuing research grants and contracts has been included in the financial statements to the extent that it is due.

**(iii) Tuition Fees**

Fee income is credited to the Income and Expenditure Account in the period in which it is earned. Where the amount of the tuition fee is reduced, by a discount for alumni for example, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and are not deducted from income.



**(iv) Other Income**

Other income arising from the sale of goods and services is credited to the Income and Expenditure Account when goods or services are supplied to the customer or when the terms of the contract have been satisfied.

**f) Taxation**

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 (formerly Schedule 2 of the Charities Act 1993) and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

All subsidiary companies are liable to Corporation Tax and Value Added Tax in the same way as any other commercial organisation.

The University's principal activities are exempt from Value Added Tax, but certain ancillary supplies and services are liable to Value Added Tax at various rates. Expenditure includes irrecoverable Value Added Tax charged by suppliers to the University.

**g) Restructuring and Early Retirement Costs**

Costs of voluntary restructuring and early retirement are provided for in full from the date applications are formally approved.

**h) Cash Flows and Liquid Resources**

Cash flows comprise increases or decreases in cash. Cash includes cash in hand and deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

**i) Leases**

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased asset at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges, which are amortised over each term to give a constant charge on the remaining balance of the obligations.

**j) Foreign Currency**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are transferred to the Income and Expenditure Account.

**k) Pension Schemes**

The pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), the Greater Manchester Pension Fund (GMPF), and the Universities' Superannuation Scheme (USS). The schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The TPS is valued every five years by the Government Actuary, the GMPF every three years by the actuaries using the retained age method, and the USS every three years by the actuary using the projected unit method.

In the cases of the TPS and USS, since it is not possible to identify the University's share of the underlying assets and liabilities FRS17 requires that these schemes are accounted for as defined contribution schemes, with contributions recognised in the year they are paid. In the case of the GMPF the University's share is identifiable and hence FRS17 is fully applicable; accordingly, its share in the scheme is fully incorporated in the accounts.

Contributions are paid by the University at the rate specified by the trustees of the schemes. Pension costs are assessed on the latest actuarial valuation of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employee's services. Variations from regular cost are spread over the expected average remaining lifetime of members of the schemes after making allowances for future withdrawals.

The University's provision for enhancing pensions was last revalued at 31 July 2014. All movements on this provision are recognised in the Income and Expenditure account.

#### **l) Repairs and Maintenance**

In accordance with FRS15 all maintenance costs are charged to the Income and Expenditure Account as incurred.

#### **m) Research and Development**

Costs of Research and Development are charged to the Income and Expenditure Account in the year in which they are incurred.

#### **n) Donations and Endowments**

Where charitable donations are to be retained for the benefit of the University as specified by the donors these are accounted for as endowments. There are two main types :

Restricted expendable endowments where the donor has specified a particular objective other than the purchase or construction of fixed assets, and the University can convert the donated sum into income.

Restricted permanent endowments where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Endowment assets are held in the form of cash and are included in the Balance Sheet at market value.

#### **o) Provisions**

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

**Income and Expenditure Account  
for the Year ended 31 July 2014**

	Note	2013-14	2012-13
<b>Income</b>		<b>£000</b>	<b>£000</b>
Funding Council Grants	1	9,678	14,311
Academic Fees and Support Grants	2	31,549	26,242
Research Grants and Contracts	3	1,252	1,614
Other Operating Income	4	2,617	2,705
Endowment Income and Interest Receivable	5	153	234
Total Income		<u>45,249</u>	<u>45,106</u>
<b>Expenditure</b>			
Staff Costs	6	23,155	23,805
Staff Costs – Restructuring	6	497	1,841
Other Operating Expenses	9	15,661	14,777
Depreciation	11	2,195	2,168
Interest Payable	10	345	833
Total Expenditure		<u>41,853</u>	<u>43,424</u>
Surplus After Depreciation of Assets at Valuation		<u>3,396</u>	<u>1,682</u>
Exceptional Item	12	(996)	0
Surplus after Exceptional Items		<u>2,400</u>	<u>1,682</u>
<b>Statement of Historical Cost Surpluses and Deficits for the Year ended 31 July 2014</b>	<b>Note</b>	<b>2013-14 £000</b>	<b>2012-13 £000</b>
Surplus After Exceptional Items		2,400	1,682
Difference between Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	22	898	592
Historical Cost Surplus		<u>3,298</u>	<u>2,274</u>

The Income and Expenditure of the University relates wholly to continuing operations.

The notes on pages 29 to 47 form part of the Financial Statements.

**Balance Sheet  
as at 31 July 2014**

	Note	2014 £000	2013 £000
<b>Fixed Assets</b>			
Tangible Assets	11	65,091	52,909
<b>Endowment Asset Investments</b>	14	265	266
<b>Current Assets</b>			
Debtors	15	3,332	2,998
Cash at Bank and in Hand		<u>24,430</u>	<u>20,341</u>
		27,762	23,339
<b>Creditors: Amounts Falling Due Within One Year</b>			
Net Current Assets	16	<u>16,179</u>	<u>15,325</u>
Total Assets Less Current Liabilities		<u>11,583</u>	<u>8,014</u>
		76,939	61,189
<b>Creditors: Amounts Falling Due After One Year</b>			
Provisions for Liabilities and Charges	17	4,206	6,083
Net Assets excluding pension liability	18	<u>2,812</u>	<u>2,864</u>
Net Pension Liability	30	<u>69,921</u>	<u>52,242</u>
<b>Total Net Assets</b>		<b><u>54,223</u></b>	<b><u>40,271</u></b>
Represented by:			
Deferred Capital Grants	19	14,732	15,072
Endowments Specific Reserves	20	265	266
Income and Expenditure Account	22	23,156	19,611
Pension Reserve	30	<u>(15,698)</u>	<u>(11,971)</u>
Income and Expenditure Account		7,458	7,640
Revaluation Reserve	21	<u>31,768</u>	<u>17,293</u>
Total Reserves		<u>39,226</u>	<u>24,933</u>
<b>Total Funds</b>		<b><u>54,223</u></b>	<b><u>40,271</u></b>

The notes on pages 29 to 47 form part of the Financial Statements.

The Financial Statements were approved by the Board of Governors on 12 November 2014 and signed on its behalf by:

Rt Reverend N McCulloch KCVO  
Chair of the Board of Governors

Prof G E Holmes  
Vice Chancellor

**Cash Flow Statement  
for the Year ended 31 July 2014**

	Note	2013-14 £000	2012-13 £000
Net Cash Inflow from Operating Activities	25	5,826	4,465
Returns from Investments and Servicing of Finance	26	(190)	(211)
Capital Expenditure and Financial Investment	27	<u>260</u>	<u>77</u>
Cash Inflow before Financing		5,896	4,331
Financing	28	<u>(1,807)</u>	<u>(720)</u>
Increase in Cash	29	<u>4,089</u>	<u>3,611</u>

**Reconciliation of Net Cash Flow to Movement in Net Funds**

	Note	2013-14 £000	2012-13 £000
Increase in Cash in the Period		4,089	3,611
Repayment of Debt	28	<u>1,807</u>	<u>720</u>
Change in Net Funds		5,896	4,331
Net Funds at 1 August		<u>12,464</u>	<u>8,133</u>
Net Funds at 31 July	29	<u>18,360</u>	<u>12,464</u>

The notes on pages 29 to 47 form part of the Financial Statements.

**Statement of Recognised Surpluses and Deficits for the Year ended 31 July 2014**

	Note	2013-14 £000	2012-13 £000
Surplus after Depreciation of Assets at Valuation		2,400	1,682
Endowment (Expenditure) / Income	20	(1)	(9)
Actuarial (Loss) / Gain in respect of Pension Scheme	30	(3,480)	4,765
Revaluation Gain in respect of land and buildings	21	<u>15,373</u>	<u>0</u>
Total Recognised Gains		<u>14,292</u>	<u>6,438</u>
<b>Reconciliation</b>			
Opening Reserves and Endowments		25,199	18,761
Total Recognised Gains relating to the Year		<u>14,292</u>	<u>6,438</u>
Closing Reserves and Endowments		<u>39,491</u>	<u>25,199</u>

The notes on pages 29 to 47 form part of the Financial Statements.

## Notes to the Accounts

	HEFCE £000	2013-14 FE Provision £000	Total £000	2012-13 Total £000
<b>1. Funding Council Grants</b>				
<b>Recurrent Grant</b>				
Teaching	8,148	120	8,268	12,601
Research	616	0	616	689
Other	<u>306</u>	<u>0</u>	<u>306</u>	<u>525</u>
Total Recurrent Grants	9,070	120	9,190	13,815
<b>Specific Grants</b>				
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>19</u>
Total Specific Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>19</u>
<b>Releases of Deferred Capital Grants (Note 19)</b>				
	<u>488</u>	<u>0</u>	<u>488</u>	<u>477</u>
	<u>9,558</u>	<u>120</u>	<u>9,678</u>	<u>14,311</u>

## 2. Academic Fees and Support Grants

### Fees paid by or on behalf of Individual Students

	2013-14 £000	2012-13 £000
Full-time home and EU students	23,750	19,311
Full-time international students	3,234	3,475
Part-time students	3,025	2,382
Education contracts	1,205	912
Further education students	209	58
Other fees and grants	<u>126</u>	<u>104</u>
	<u>31,549</u>	<u>26,242</u>

### 3. Research Grants and Contracts

	2013-14 £000	2012-13 £000
Research Councils and Charities	216	183
Industry and Commerce	158	159
Government	<u>878</u>	<u>1,272</u>
	<u>1,252</u>	<u>1,614</u>

### 4. Other Operating Income

	2013-14 £000	2012-13 £000
Residences, Catering and Conferences	1,937	1,891
Other Income	574	709
Releases from Deferred Capital Grants (Note 19)	<u>106</u>	<u>105</u>
	<u>2,617</u>	<u>2,705</u>

	<b>2013-14</b> <b>£000</b>	<b>2012-13</b> <b>£000</b>
<b>5. Endowment Income and Interest Receivable</b>		
Income from expendable endowments and donations	16	52
Income from short-term investments	<u>137</u>	<u>182</u>
	<u>153</u>	<u>234</u>

	<b>2013-14</b> <b>£000</b>	<b>2012-13</b> <b>£000</b>
<b>6. Staff Costs</b>		
<b>Staff Costs</b>		
Wages and Salaries	18,538	19,080
Social Security Costs	1,489	1,575
Other Pension Costs (including FRS17 adjustment Note 30)	<u>2,952</u>	<u>3,125</u>
	22,979	23,780
Contribution to Pension Provision (Note 18)	<u>176</u>	<u>25</u>
Total Staff Costs	23,155	23,805
Restructuring Costs	<u>497</u>	<u>1,841</u>
	<u>23,652</u>	<u>25,646</u>

**Analysis of Staff by Major Category**

	<b>2013-14</b> <b>FTE</b>	<b>2012-13</b> <b>FTE</b>
Academic	239	233
Support	253	257
Management and Specialist	<u>10</u>	<u>10</u>
	<u>502</u>	<u>500</u>

The staff numbers exclude temporary and casual staff because the information is not available to convert them to full-time equivalents.

## 7. Higher Paid Staff Emoluments

The number of staff, including the Vice Chancellor, who received emoluments, excluding pension contributions and payments for compensation for loss of office under the University's restructuring scheme, in the following ranges was:

	<b>2013-14</b>	<b>2012-13</b>
	<b>No.</b>	<b>No.</b>
£100,000 - £109,999	2	0
£110,000 - £119,999	0	0
£120,000 - £129,999	0	0
£130,000 - £139,999	0	0
£140,000 - £149,999	0	0
£150,000 - £159,999	0	0
£160,000 - £169,999	0	0
£170,000 - £179,999	0	0
£180,000 - £189,999	0	0
£190,000 - £199,999	0	0
£200,000 - £209,999	1	1
£210,000 - £219,999	0	0
£220,000 - £229,999	0	0

## 8. Emoluments of the Vice Chancellor and of the Board of Governors

	<b>2013-14</b>	<b>2012-13</b>
	<b>£</b>	<b>£</b>
Vice Chancellor		
Salary	198,200	199,000
Benefits in kind (healthcare)	3,000	2,900
Employer's Pension Contribution to Teachers' Pension Scheme	<u>28,200</u>	<u>26,400</u>
Total Emoluments	<u>229,400</u>	<u>228,300</u>

The pension contributions in respect of the Vice Chancellor are employer's contributions to the Teachers' Pension Scheme and are paid at the same rate as other academic staff.

The members of the Governing Body do not receive any remuneration in respect of their roles.



## 9. Other Operating Expenses

	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
Academic Departments	7,668	6,954
Academic Services	1,591	1,571
Administration and Central Services	2,399	2,985
Premises	2,683	1,887
Residences and Catering	920	897
Research Grants and Contracts	330	409
Other Expenditure	<u>70</u>	<u>74</u>
	<b><u>15,661</u></b>	<b><u>14,777</u></b>
Other Operating Expenses include:-		
External Auditor's Remuneration in respect of the Audit of the Financial Statements	37	36
External Auditor's Remuneration in respect of Non-Audit Services	28	3
Operating Lease Rentals Other	<u>0</u>	<u>64</u>

The operating leases expired during 2013-14, there are no commitments remaining under them for 2014-15.

## 10. Interest Payable

	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
Loans repayable within five years	1	6
Finance Leases	320	390
Pension Finance Interest (Note 30)	<u>24</u>	<u>437</u>
	<b><u>345</u></b>	<b><u>833</u></b>

## 11. Tangible Assets

	Land & Buildings Freehold £000	Land & Buildings Leased £000	Equipment £000	Leased Equipment £000	Total £000
<b>Cost or Valuation</b>					
At 1 August 2013 - Valuation	8,982	4,356	0	0	13,338
- Cost	<u>31,154</u>	<u>16,196</u>	<u>14,177</u>	<u>599</u>	<u>62,126</u>
At 1 August 2013	40,136	20,552	14,177	599	75,464
Additions at Cost	0	0	0	0	0
Written Out (Note 12)	(1,170)	0	0	0	(1,170)
Revaluation of Land and Buildings (Note 21)	3,716	1,857	0	0	5,573
At 31 July 2014	<u>42,682</u>	<u>22,409</u>	<u>14,177</u>	<u>599</u>	<u>79,867</u>
<b>Depreciation</b>					
At 1 August 2013	5,412	2,367	14,177	599	22,555
Charge for Year	1,267	928	0	0	2,195
Written Out (Note 12)	(174)	0	0	0	(174)
Revaluation of Land and Buildings (Note 21)	(6,505)	(3,295)	0	0	(9,800)
At 31 July 2014	<u>0</u>	<u>0</u>	<u>14,177</u>	<u>599</u>	<u>14,776</u>
<b>Net Book Value</b>					
At 31 July 2014	<u>42,682</u>	<u>22,409</u>	<u>0</u>	<u>0</u>	<u>65,091</u>
At 1 August 2013	<u>34,724</u>	<u>18,185</u>	<u>0</u>	<u>0</u>	<u>52,909</u>
Financed by Capital Grant	14,732	0	0	0	14,732
Finance Lease	0	4,070	0	0	4,070
Other	<u>27,950</u>	<u>18,339</u>	<u>0</u>	<u>0</u>	<u>46,289</u>
	<u>42,682</u>	<u>22,409</u>	<u>0</u>	<u>0</u>	<u>65,091</u>

Included within land and buildings is land valued at £6,031,257 (freehold) and £1,983,743 (leased) which is not depreciated.

The University's land and buildings were valued at 31 July 2014 by Eddisons Chartered Surveyors, an external firm of professional valuers. The valuation was prepared on a depreciated replacement cost basis with the exception of the Chadwick site and the Halls' of Residence which were valued on a market value basis.

## 12. Exceptional Item (Holts Mill)

Prior to its transfer to Bolton UTC the carrying value of Holt's Mill has been written out of the Balance Sheet as it no longer has any value in use to the University.

	<b>2013-14</b> <b>£000</b>
Balance at 31 July 2014	1,170
Accumulated Depreciation	<u>(174)</u>
Written Down as Exceptional Item	<u>996</u>

## 13. Investments

The University owns 100 £1 ordinary shares in Bolton Institute Enterprises Limited, 1 £1 ordinary share in The University of Bolton Enterprises Company Limited and 1 £1 ordinary share in Blu U Thefutureversity Limited. These are wholly owned subsidiaries of the University.

Bolton UTC is a company limited by guarantee. The liability is limited to £10 per member; two of the three Members are Governors of the University.

Bolton Institute Enterprises Limited holds 30,000 £1 ordinary shares valued at £1,456, in c-Lect Medical Ltd representing 25% of the issued share capital.

## 14. Endowment Asset Investments

	<b>2013-14</b> <b>£000</b>	<b>2012-13</b> <b>£000</b>
Balance at 1 August	266	275
Decrease in cash balances	<u>(1)</u>	<u>(9)</u>
Balance at 31 July	<u>265</u>	<u>266</u>
Bank Balances	<u>265</u>	<u>266</u>
Total Endowment Asset Investments	<u>265</u>	<u>266</u>

## 15. Debtors

	<b>2013-14</b> <b>£000</b>	<b>2012-13</b> <b>£000</b>
Debtors	2,947	2,491
Prepayments	197	281
Government Grant	<u>188</u>	<u>226</u>
	<u>3,332</u>	<u>2,998</u>

## 16. Creditors Amounts falling due within one Year

	2013-14 £000	2012-13 £000
Mortgages and Unsecured Loans (Note 23)	0	25
Obligations Under Finance Leases (Note 23)	864	769
HEFCE Repayable Grant (Note 23)	1,000	1,000
Payments Received on Account	3,666	2,705
Creditors	7,567	7,039
Social Security & Other Taxation Payable	555	519
Accruals and Deferred Income	812	925
Government Grants	<u>1,715</u>	<u>2,343</u>
	<u>16,179</u>	<u>15,325</u>

## 17. Creditors Amounts falling due after more than one year

	2013-14 £000	2012-13 £000
Obligations Under Finance Leases (Note 23)	3,206	4,083
HEFCE Repayable Grant (Note 23)	<u>1,000</u>	<u>2,000</u>
	<u>4,206</u>	<u>6,083</u>

The mortgage was a loan secured upon Chadwick Campus, repayable by equal instalments of principal of £50,000 pa and at an effective annual interest rate of 7¼ %. The final repayment was made in December 2013.

The finance leases are payable by rental payments (covering principal and interest), and both expire in June 2018.

The rentals on the Hollins residence escalate at 3%pa; the effective annual interest rate is 7.35%.

The rentals on the Orlando residence are variable, based on the 3 month London Inter Bank Offered Rate (LIBOR).

The HEFCE repayable grant, made under its Strategic Development Fund programme, is in respect of the acquisition of Bolton One and is repayable between August 2013 and July 2016.

## 18. Provisions for Liabilities and Charges

	<b>Restructuring £000</b>	<b>Pension £000</b>	<b>Total £000</b>
Balance at 1 August	264	2,600	2,864
Utilised in Year	(264)	(189)	(453)
Increases to Provision	<u>225</u>	<u>176</u>	<u>401</u>
At 31 July	<u>225</u>	<u>2,587</u>	<u>2,812</u>

The enhanced pension provision relates to pension enhancements awarded in previous years to staff who have already left the University's employment.

The principal assumptions used in determining the provision are as follows: -

	<b>2013-14</b>	<b>2012-13</b>
Net Interest Rate	2.00%	2.00%

The restructuring provision relates to committed payments under the University's restructuring programme, from which the University cannot reasonably withdraw at the balance sheet date.

## 19. Deferred Capital Grants

	<b>HEFCE £000</b>	<b>Other £000</b>	<b>Total £000</b>
Balance at 1 August			
Buildings	12,351	2,721	15,072
Equipment	<u>0</u>	<u>0</u>	<u>0</u>
	<u>12,351</u>	<u>2,721</u>	<u>15,072</u>
Cash Received and Receivable			
Buildings	254	0	254
Equipment	<u>0</u>	<u>0</u>	<u>0</u>
	<u>254</u>	<u>0</u>	<u>254</u>
Released to Income and Expenditure – Depreciation			
Buildings (Notes 1 and 4)	488	106	594
Equipment (Notes 1 and 4)	<u>0</u>	<u>0</u>	<u>0</u>
	<u>488</u>	<u>106</u>	<u>594</u>
Balance at 31 July			
Buildings	12,117	2,615	14,732
Equipment	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<u>12,117</u>	<u>2,615</u>	<u>14,732</u>

The value of the exchequer interest retained by HEFCE is £12,479,503 (2012-13 £15,255,480).

## 20. Endowments

	Restricted Expendable £000	Restricted Permanent £000	Total £000
Balance at 1 August			
Capital	126	38	164
Accumulated Income	<u>50</u>	<u>52</u>	<u>102</u>
	176	90	266
New Endowments	5	0	5
Income for Year	1	0	1
Expenditure for Year	<u>(7)</u>	<u>0</u>	<u>(7)</u>
	<u>(1)</u>	<u>0</u>	<u>(1)</u>
At 31 July	<u>175</u>	<u>90</u>	<u>265</u>
Represented by:			
Capital Value	124	38	162
Accumulated Income	<u>51</u>	<u>52</u>	<u>103</u>
	<u>175</u>	<u>90</u>	<u>265</u>

## 21. Revaluation Reserve

	2013-14 £000	2012-13 £000
Balance at 1 August	17,293	17,885
Released in Year (Depreciation)	(592)	(592)
Holt's Mill Exceptional Item	<u>(306)</u>	<u>0</u>
Total Released in Year	(898)	(592)
Revaluation of Land and Buildings	<u>15,373</u>	<u>0</u>
Balance at 31 July	<u>31,768</u>	<u>17,293</u>

## 22. Income and Expenditure Account

	<b>2013-14</b> <b>£000</b>	<b>2012-13</b> <b>£000</b>
Balance at 1 August	7,640	601
Surplus after Depreciation of Assets at Valuation	2,400	1,682
Release from Revaluation Reserve (Note 21)	<u>898</u>	<u>592</u>
Historical Cost Surplus	3,298	2,274
Actuarial (Loss) / Gain in respect of Pensions (Note 30)	(3,480)	4,765
Balance at 31 July	<u>7,458</u>	<u>7,640</u>
Balance Represented by:		
Income and Expenditure Reserve	23,156	19,611
Pension Reserve	(15,698)	(11,971)
Balance at 31 July	<u>7,458</u>	<u>7,640</u>

## 23. Financing Obligations

	<b>Lease</b>	<b>HEFCE</b>	<b>Total</b>	<b>Total</b>
	<b>2013-14</b>	<b>Repayable</b>	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>Grant</b>	<b>£000</b>	<b>£000</b>
		<b>2013-14</b>		
		<b>£000</b>		
Financing Obligations fall due as follows:				
Between two and five years	3,206	1,000	4,206	6,083
Over five years	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total over one year (Note 17)	3,206	1,000	4,206	6,083
Within one year (Note 16)	<u>864</u>	<u>1,000</u>	<u>1,864</u>	<u>1,794</u>
	<u>4,070</u>	<u>2,000</u>	<u>6,070</u>	<u>7,877</u>

Rentals due on the Orlando Residences Lease are geared to 3 month LIBOR, the amount included here is based upon the assumption that this rate remains at that prevailing as at 31 July 2014.

## 24. Capital Commitments

	2013-14	2012-13
	£000	£000
Committed Contracts at 31 July	0	0
Authorised but not contracted at 31 July	<u>0</u>	<u>0</u>

## 25. Reconciliation of Operating Surplus to Net Cash From Operating Activities

	2013-14	2012-13
	£000	£000
Surplus before Tax	2,400	1,682
Depreciation (Note 11)	2,195	2,168
Deferred Capital Grants Released to Income (Note 19)	(594)	(582)
Investment Income (Note 5)	(137)	(204)
Exceptional Item (Note 12)	996	0
Interest Payable (Note 10)	321	396
Pension Cost less Contributions payable (Note 30)	247	951
Increase in Debtors	(334)	(357)
Increase in Creditors	784	1,171
Decrease in Provisions	<u>(52)</u>	<u>(760)</u>
Net Cash Inflow from Operating Activities	<u>5,826</u>	<u>4,465</u>

## 26. Returns on Investments and Servicing of Finance

	2013-14	2012-13
	£000	£000
Net (Expenditure) / Income from Endowments	(6)	3
Income from Short Term Investments	137	182
Interest Paid	(1)	(6)
Leasing Finance Charge	<u>(320)</u>	<u>(390)</u>
	<u>(190)</u>	<u>(211)</u>

## 27. Capital Expenditure and Financial Investment

	2013-14	2012-13
	£000	£000
Tangible Assets Acquired (other than leased equipment)	0	(190)
Endowment Asset Investments Disposed / (Acquired)	<u>1</u>	<u>9</u>
Total Fixed and Endowment asset Investments Acquired	1	(181)
Proceeds from the sale of assets	0	0
New Endowments Received	5	10
Deferred Capital Grants Received	<u>254</u>	<u>248</u>
	<u>260</u>	<u>77</u>



## 28. Analysis of Changes in Financing During the Year

	<b>Mortgages and Loans £000</b>	<b>Finance Leases £000</b>	<b>Repayable Grant £000</b>	<b>Total £000</b>
Balance at 1 August 2012	75	5,522	3,000	8,597
Capital Repayments	<u>(50)</u>	<u>(670)</u>	<u>0</u>	<u>(720)</u>
Balance at 31 July 2013	25	4,852	3,000	7,877
Capital Repayments	<u>(25)</u>	<u>(782)</u>	<u>(1,000)</u>	<u>(1,807)</u>
Balance at 31 July 2014	<u>0</u>	<u>4,070</u>	<u>2,000</u>	<u>6,070</u>

## 29. Analysis of Changes in Net Funds

	<b>At 1 August 2013 £000</b>	<b>Cash Flows £000</b>	<b>At 31 July 2014 £000</b>
Cash at Bank and in hand	20,341	4,089	24,430
Debt due within one year	<u>(1,794)</u>	<u>(70)</u>	<u>(1,864)</u>
Debt due after one year	<u>(6,083)</u>	<u>1,877</u>	<u>(4,206)</u>
	<u>12,464</u>	<u>5,896</u>	<u>18,360</u>

## 30. Pension Schemes

The two principal pension schemes for the University are the Teachers' Pension Scheme (TPS) and the Greater Manchester Pension Fund (GMPF). There is also a small number of staff belonging to the Universities Superannuation Scheme (USS).

The total pension cost for the University was:

	<b>2013-14 £000</b>	<b>2012-13 £000</b>
TPS Contributions Paid	1,424	1,388
GMPF Charge to the Income and Expenditure Account	1,417	1,631
USS Contributions paid	<u>111</u>	<u>106</u>
Total Pension Cost (Note 6)	<u>2,952</u>	<u>3,125</u>

Outstanding Employer and Employees Pension Contributions at 31 July, paid early August	385	308
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The assumptions and other data relevant to the determination of the contribution levels of the scheme are:

	<b>TPS</b>	<b>GMPF</b>	<b>USS</b>
Investment Returns per annum	5.8%	5.8%	4.8%
Salary Scale increase per annum	4.75%	3.8%	4.3%
Pension increase per annum	2.0%	2.7%	2.5%
Market Value of Assets at date of last valuation	£176,600M	£44M	£38,600M
MFR proportion of members' accrued benefits covered by the actuarial value of the assets.	92%	74%	77%

## **30. Pension Schemes (Continued)**

### **Teachers' Pension Scheme**

#### **Introduction**

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.

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 The Teachers' Pension Scheme**

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

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

#### **Scheme Changes**

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

### **30. Pension Schemes (Continued)**

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 £1,424,000 (2013: £1,388,000).

#### **Universities Superannuation Scheme**

USS is a funded defined benefit scheme. The scheme is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the USS actuary reviews the progress of the USS scheme.

The contribution rate payable by the University to USS is 16% of pensionable salaries. The actuary of USS has confirmed that it is appropriate to take the pensions costs in the University's accounts to be equal to the actual contributions paid during the year. In particular, the contribution rate recommended following the 2005 valuation has regard to the deficit disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread deficit in a prudent manner over the future working lifetime of current scheme members.

Under the definitions set out by FRS 17, the USS is a multi-employer defined benefit pension scheme. The Trustee is unable to identify the University's share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions as if it were a defined contribution scheme.

#### **Greater Manchester Pension Fund**

The GMPF is a funded defined benefit scheme. The scheme is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the GMPF actuary reviews the progress of the GMPF scheme.

For GMPF, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the GMPF Regulations. The contribution payable by the employer was 18.6% of pensionable salaries to March 2014, rising to 20.2% from April 2014. From April 2015 the rate will rise to 21.7%.

Under the definitions set out in FRS 17, the GMPF is a multi-employer defined benefit pension scheme. The actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2014.

### 30. Pension Schemes (Continued)

The pension scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the scheme after consultation with professional advisers.

The material assumptions used by the actuary at 31 July 2014 were:

	2013-14	2012-13
Rate of Increase in Pension	2.7%	2.8%
Rate of Increase in Salaries	3.8%	4.6%
Discount Rate	4.0%	4.6%
Inflation Assumption	3.25%	2.9%

The Current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed average life expectancies at age 65 are:

	Males Years	Females Years
Mortality Assumptions		
Current Pensioners	21.4	24.0
Future Pensioners	24.0	26.6

The assets in the GMPF Scheme and the expected rate of return were:

Scheme Assets	Long Term Return		Long Term Return		Long Term Return	
	Expected 2013-14 %	Value at 2013-14 £000	Expected 2012-13 %	Value at 2012-13 £000	Expected 2011-12 %	Value at 2011-12 £000
Equities	6.6	31,327	6.5	31,850	5.5	24,269
Bonds	3.6	7,942	3.7	7,962	3.3	7,721
Property	4.7	2,647	4.6	2,654	3.7	1,838
Cash	3.6	<u>2,206</u>	3.4	<u>1,769</u>	2.8	<u>2,941</u>
		<u>44,122</u>		<u>44,235</u>		<u>36,769</u>

The following amounts at 31 July 2014 were measured in accordance with the requirements of FRS17.

#### Analysis of the Amount shown in the Balance Sheet

	2013-14 £000	2012-13 £000
University's estimated asset share	44,122	44,235
Present value of scheme liabilities	<u>(59,820)</u>	<u>(56,206)</u>
Deficit in Scheme – Net Pension Liability	<u>(15,698)</u>	<u>(11,971)</u>

#### Analysis of the Amount charged to income and expenditure

	2013-14 £000	2012-13 £000
Current Service Cost	1,396	1,346
Contributions in respect of Unfunded Benefits	(10)	(10)
Past Service Costs	0	322
Under / (Over) estimate employers' contributions	<u>31</u>	<u>(27)</u>
Adjustment to Pension Costs (Note 6)	<u>1,417</u>	<u>1,631</u>

### 30. Pension Schemes (Continued)

#### Analysis of the Amount charged to other interest paid

	2013-14 £000	2012-13 £000
Expected return on pension scheme assets	(2,569)	(1,730)
Interest on Scheme Liabilities	<u>2,593</u>	<u>2,167</u>
Adjustment to other interest payable (Note 10)	<u>24</u>	<u>437</u>

#### Analysis of Amounts Recognised in Statement of Total Recognised Surpluses and Deficits

	2013-14 £000	2012-13 £000
Actual Return less Expected Return on Pension Scheme Assets	(2,874)	5,647
Actuarial (Losses) on liabilities	<u>(606)</u>	<u>(882)</u>
	<u>(3,480)</u>	<u>4,765</u>

#### Analysis of Movements in the present value of the scheme liabilities

	2013-14 £000	2012-13 £000
Opening Defined Benefit Obligation	56,206	52,554
Current Service Cost	1,396	1,346
Interest Cost	2,593	2,167
Contributions by members	418	422
Actuarial Losses	606	882
Past Service Gains	0	322
Estimated Unfunded Benefits Paid	(10)	(10)
Estimated benefits Paid	<u>(1,389)</u>	<u>(1,477)</u>
	<u>59,820</u>	<u>56,206</u>

#### Analysis of Movements in the market value of the scheme assets

	2013-14 £000	2012-13 £000
Opening Market Value of the Scheme Assets	44,235	36,769
Expected Return on Assets	2,569	1,730
Contributions by members	418	422
Contributions by University	1,163	1,144
Contributions in respect of Unfunded Benefits	10	10
Actuarial (Losses) / Gains	(2,874)	5,647
Estimated benefits Paid	<u>(1,399)</u>	<u>(1,487)</u>
	<u>44,122</u>	<u>44,235</u>

### 30. Pension Schemes (Continued)

#### History of Experience Gains and Losses

	2013-14 £000	2012-13 £000	2011-12 £000	2010-11 £000	2009-10 £000
Difference between the expected and actual return on assets	(2,874)	5,647	(1,281)	2,137	2,399
Value of Assets	44,122	44,235	36,769	35,527	30,982
<b>Percentage of Assets</b>	<b>(6.5%)</b>	<b>12.8%</b>	<b>(3.5%)</b>	<b>6.0%</b>	<b>7.7%</b>
Experience Gains/(Losses) on Liabilities	3,572	(2)	(485)	(616)	8
Total Present Value of liabilities	59,820	56,206	52,554	43,387	42,335
<b>Percentage of the Total Present Value of Liabilities</b>	<b>6.0%</b>	<b>0.0%</b>	<b>(1.0%)</b>	<b>(1.4%)</b>	<b>0.0%</b>
Actuarial Gains/(Losses) Recognised in STRGL	(3,480)	4,765	(7,316)	3,382	2,505
Total Present Value Liabilities	59,820	56,206	52,554	43,387	42,335
<b>Percentage of the Total Present Value of Liabilities</b>	<b>(5.8%)</b>	<b>8.5%</b>	<b>(13.9%)</b>	<b>7.8%</b>	<b>5.9%</b>

### 31. Access Funds, Mature Bursaries, and National Scholarship Programme

	2013-14 £000	2012-13 £000
Balance at 1 August	60	42
Funding Council Grant	641	548
Interest Earned	<u>1</u>	<u>1</u>
	642	549
Disbursed to Students	(644)	(521)
Audit Fees	(1)	(1)
Administration Costs	<u>(8)</u>	<u>(9)</u>
	(653)	(531)
Balance at 31 July	<u>49</u>	<u>60</u>

Funding council grants are available solely for students, the University acts as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

### 32. Other Funds for which the University acts as Paying Agent

	2013-14 £000	2012-13 £000
Balance at 1 August	31	30
Funds Received in Year	0	42
Disbursements in the Year	0	(41)
Administration Costs	<u>0</u>	<u>0</u>
	0	(41)
Balance at 31 July	<u>31</u>	<u>31</u>

The University acts as paying agent for bursaries under the Postgraduate Certificate in Education and Sure Start Schemes.

### 33. Payment relating to Academic Partnerships

	2013-14 £000	2012-13 £000
Receipts in respect of University Academic Partners	142	120
Disbursements made to University Academic Partners	<u>(142)</u>	<u>(120)</u>
	0	0

Where the University acts as paying agents in respect of contracts with other Higher Education Institutions, transactions are excluded from the Income and Expenditure Account.

### 34. Related Party Transactions

Due to the nature of the University's operations and the composition of the Board, members of which are drawn from local organisations, it is inevitable that transactions take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of the Board may have an interest are declared and conducted at arm's length, in accordance with the University's Financial Regulations and normal procurement procedures.

The University maintains a Register of Interests and if a potential conflict of interest arises, the member of the Board would withdraw from a meeting of the Board of Governors.

The President of the Students' Union is also a member of the Board of Governors. Payments to the Students' Union totalled £207,740 (grant) and £2,209 (other transactions) (2012-13, £90,000 and £1,140 respectively). There were no amounts due to the Students' Union at 31 July 2014 (2012-13, nil).

There are no other related party transactions that would require disclosure under Financial Reporting Standard 8 "Related Party Transactions".

### 35. Board of Governors' Expenses

No member of the Board of Governors received any remuneration in their capacity as a member. However, sundry expenses incurred are reimbursed; these totalled £1,496 during 2013-14 (£2,435 in 2012-13).

### **36. Contingent Liability**

The University received £3,000,000 repayable grant from HEFCE towards the development of Bolton One. The repayment is contingent on the sale of the Chadwick Campus at a price above £3,000,000; with any repayment of grant being confined to a half share (up to a maximum of £3,000,000) of the surplus over £3,000,000. The asset is held on the Balance Sheet at a value of £2,450,000 and it is considered unlikely that any realisation would attain the trigger threshold.

There are no other contingent liabilities (2012-13: None).

### **37. Post Balance Sheet Events**

After careful deliberation, review of external legal and tax advice and acting in the best interests of the University, the Board of Governors (constituted in accordance with the Articles of Government) unanimously approved at its Special Meeting held on the 1 October 2014 the recommendation of the Remuneration Committee that, in order to facilitate the timely residential relocation of the Vice Chancellor from Wakefield to Bolton, a bridging loan facility for £960,000 be made available to the Vice Chancellor for a fixed and invariable period of two years at an interest rate of 3.25% pa to be secured by way of a legal charge over the purchased property, which was valued by the District Valuer for the University.

Having properly considered the matter at its meeting of 1 October 2014 it is the opinion of the Board of Governors that, given the security obtained and the interest rate chargeable to the Vice Chancellor, the loan constitutes a qualifying loan and a qualifying investment for the benefit of the University.