

University of Bolton

# Financial Statements 2015-16



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## Strategic Report 2015-16

### Context

The University of Bolton is a modern forward looking Higher Education Institution which proudly traces its history back to the foundation, in 1825, of the Bolton Mechanics' Institute; one of the first to be established in the UK. To this day, the University retains its primary purpose of providing educational opportunities to the widest range of individuals. Its provision has a distinct emphasis upon professional and vocational education. The University welcomes people who wish to invest in their futures through accessing educational opportunities and thus enhance both their life skills and moreover their employment prospects. High quality intensive teaching underpinned and informed by research is central to the University's abiding mission. The year saw the University continue its development with a sharpened and heightened focus upon wilful institution building, the culmination of which will be the creation of a sector leading Higher Education Institution (HEI) with a unique strategy to be the first truly 'teaching intensive' University in Britain.

The University is also at the heart of, and leading, the regeneration of the town of Bolton; its multi-million pound infrastructure projects are transforming the physical environment of the town centre and the university is widely recognised now as both the engine and driving force for the renaissance of the town. The ambitious yet achievable plans for the estate including a new student village are evidence of the newfound confidence of the maturing university and its ability to plan and deliver a central role in the development of the sub region. The university is taking its rightful place as a key agent for economic, social and cultural development as part of the new Greater Manchester Northern Powerhouse and area review initiatives and will strive to become over the next few years a leading Greater Manchester University of the future. This will be reflected not just in the University's actual strength but moreover in the repositioning of its brand.

The University continues year on year to demonstrate robust financial performance, generating a healthy surplus (on an historical cost basis) of 4.2% of turnover in the academic year 2015-16. The University experienced strong student recruitment to its courses in the year and made significant progress in improving student experience, satisfaction with teaching and student success. Notwithstanding these measures, retention, of particularly first year students, remains an issue and is reflective in part of the university's inclusivity and access agenda. The University has more students as a percentage of its intake from both working class backgrounds and State Schools than any other in the UK; and is in the top three in the UK for its percentage of mature students (at over 57%). Pride is taken in respect of the University's care for the very high percentage of students admitted who declare as having a disability. CSR is an ever increasingly important aspect of the work of staff and students with many charities and community groups benefitting from support. It is within this laudable and enviable profile that the University continues to have a sound and effective control on its cost base and is highly efficient by any sector measure. The institution continues to sustain low levels of borrowing for the sector, and this, combined with good surplus levels, ensures organisational sustainability and the capability to strategically reinvest in its academic and physical infrastructure.

The University also continues to innovate and put the student at the centre of its 'teaching intensive, research informed' academic focus. The overall external Higher Education (HE) environment remains in transition with a number of key developments including the regulatory changes affecting international student recruitment, new emphasis upon consumer rights, the removal of the cap on student numbers, the recent expansion of private providers, the changing role of the further education sector and the introduction of the Teaching Excellence Framework (TEF). The University is well placed however to respond to these major changes in the UK and global HE markets and utilise and, in some cases, benefit from the opportunities arising from them.

## **Recruitment and Revenue**

The University experienced strong student recruitment in 2015-16 to its undergraduate programmes across the academic disciplines in the core UK market. Progress was also made in turning around international student recruitment with reasonable growth from both EU and International markets. While the part-time student recruitment continued to be challenging for the University and the sector in the year, recruitment to the postgraduate taught courses remained stable with some healthy improvement in postgraduate research student numbers. Various academic areas including Health, Advanced Performance Engineering, Sports, Psychology, Creative Technologies and the Off Campus Division have shown robust student recruitment in 2015-16.

For example, following the successful launch of our innovative Undergraduate Nursing Degree programme in 2015, the School of Health and Human Sciences has been rapidly expanding the provision in this area. In addition to the Lancashire Teaching Hospitals NHS Foundation Trust, the University has now established successful collaborations with the Central Manchester Foundation Trust and Bolton NHS Foundation Trust. These additional collaborative partnerships in the region have enabled the University to expand the number of places on this programme (i.e. BSc Hons Nursing - Adult), from 50 in 2015 to c.150 places for the 2016-17 academic year. After successful completion of the course, each graduate will be given the opportunity to take up a Trust entry-level staff nurse post. The University was also successful in securing c.50 places for the new Nursing Associate programme initiated by the Health Education England (HEE) for the 2016-17 delivery.

This year, the University saw the further reduction in HEFCE's block teaching grant with the majority of the University's income now coming from student fees (via the SLC arrangements). The vast majority of Home Students on conventional three year full time degree programmes are now on these new funding arrangements. The University has been adjusting its financial planning and management to this new funding regime to ensure resilience in the face of shifts in government policy and of shifting market demands. The results and financial consequences continue to be positive.

In September 2015, for the first time, the government removed the cap on student numbers such that all UK universities are permitted to recruit freely without the ceiling of the Student Number Control (SNC). This was widely heralded as being likely to have a significant impact on the UK student recruitment pattern across the sector, especially in the undergraduate Home market. Within this challenging external context, the University maintained its strong recruitment of students and initial recruitment trends for September 2016 intake are particularly promising for the University of Bolton.

## **Strategic Developments**

### **Objectives - Strategic Plan 2015-2020**

The University has made significant progress in delivering its strategic plan (2015-20) with the core focus on becoming a "Teaching Intensive, Research Informed (TIRI) University". All eight Academic Schools and the Off Campus Division (OFCD) are implementing the key elements of this agenda, across the University. The core principle of the TIRI approach is to provide high quality intensive teaching and individualised support to our Undergraduate (UG) and Postgraduate (PG) students across the academic disciplines. The intensive teaching will be sustained by rigorous research that informs both the content and delivery of the curriculum that is relevant to industry, and assists in producing highly employable graduates. The TIRI strategy places the students at the centre of "everything we do" in the institution, providing them an excellent overall learning experience.

As part of the strategic plan, all Academic Schools have undertaken a comprehensive analysis of their UG and PG course portfolios to create platinum level critical mass courses in each of the subject areas in the University. These "Platinum Courses" are being created based on the existing academic strengths, as well as developing new areas in a focussed set of niche disciplines, in which the University will become a leading

provider of Undergraduate and Postgraduate courses. These courses are market relevant, attracting critical mass of high quality students from across the UK and internationally.

The University is placing renewed emphasis on the professional body accreditations for its programmes to maintain and enhance their quality and competitive position. In a number of areas, these accreditations are critical for continual enhancement of student learning and ultimately their employability. Academic areas across the Institution, have been successful in achieving relevant accreditations to their programmes from the respective professional bodies including the following; Nursing and Midwifery Council (NMC), British Psychological Society (BPS), General Dental Council (GDC), ACCA, ICAEW, Chartered Institute of Purchasing & Supply, British Association of Sport and Exercise Sciences (BASES), British Association of Sport Rehabilitators and Trainers (BASRaT), Institution of Mechanical Engineers (IMechE), Institution of Civil Engineers (ICE), The Institution of Structural Engineers (IStructE), The Solicitors' Regulation Authority, the Bar Standards Board amongst others.

## **Strategy for Achieving Objectives**

### **a) Objectives - Teaching Intensive Research Informed University**

The defining principle of our Strategic Plan over the next five years is to be recognised as the UK's leading, indeed only, truly 'teaching intensive university', and that such teaching be underpinned and informed by proper research. This means that all of our students will receive individualised, intensive tuition and support in order to help them achieve their academic and personal potential. This key framework has already directly informed our estates and facilities strategies, our research strategies, our investment plans and our communications to partners and other stakeholders. We expect all of our taught programmes to be directly shaped by the most relevant and latest research with a distinctive role for the contribution for the research of our own academic staff.

### **b) Our Estate**

The University made significant progress in continuing the development and improvement of its overall estates infrastructure in 2015-16. These are based on implementation of a robust Estates Strategy and comprehensive masterplan that aims to provide an excellent learning environment and experience for our students. Notable 2015-16 new additions include:

**Queen's Specialist Building:** Queen's Specialist Building (QSB) has been modernised with enhanced infrastructure for delivering courses there in a focussed set of disciplines, including Dental Technology, Bio-Medical Engineering, and Theatre Studies. Two new programmes were successfully validated in Dental Technology area (FdSc and BSc) for delivery at QSB, with consent from the General Dental Council (GDC) for starting the courses. These developments will contribute to the University's strategy to grow student numbers and also to deliver Higher Apprenticeships. Based on a detailed review of laboratory, IT and studio requirements at QSB, appropriate resources are allocated to ensure that the facilities are ready for the delivery of the planned programmes by September 2016. The new theatre complex adjacent to the Queens Specialist Building will act as the incubator for our exciting new Theatre Degrees, developed in conjunction with the Octagon Theatre.

**New £10m STEM Centre:** Building for the new STEM Centre, with an overall budget of £10m, commenced on the Commission Street area adjacent to Deane Road during the year and is planned to be operative from Autumn 2017. A number of academic areas, including the newly designated

National Centre for Motorsports Engineering will utilise the state-of-the-art technological infrastructure planned in the Centre.

**Completion and opening of UTC Bolton:** UTC Bolton was established as an independent institution with the strategic support of the University. Its curriculum has been carefully designed to provide specialist education for students aged 14 to 19 in health sciences and engineering technologies. The new UTC has achieved the distinction of being the only UTC or new Academy to be oversubscribed and with a pupil waiting list on opening and has had a successful first year.

The University recognises that the functionality, safety, and efficiency of its estates are central to providing an excellent learning environment, services and experience to its students. Accordingly, the strategy is to develop the estates to be as functional and as attractive as possible whilst supporting the delivery of the University's academic offering. For instance, the University's investment in Bolton One, a state-of-the-art Health, Leisure and Research centre built in collaboration with the Local Council and NHS has been a resounding success, with courses housed there being oversubscribed. Bolton One is being used to its maximum capacity with significant positive impact on student learning, experience and satisfaction while also contributing to the wellbeing of local communities.

## **Development, Performance and Future Prospects**

### **a) Student Success**

The University continues to invest significant resources and efforts to improve student retention and success. 2015-16 saw an increased institutional focus in key areas to enhance retention and overall student success; Outreach, Enrolment & Induction, Quality of Teaching & Learning, Assessments & Feedback provision, Personal Tutoring, Vacation Support, and Employability Initiatives. Improvement was achieved in the overall student satisfaction that was reflected in the recent National Student Survey results with some strong scores in respect of satisfaction in particular with teaching. Notwithstanding these positive results, the University is not complacent and key measures to achieve further improvement in the student attainment and success, while building on the current best practices and achievements, have been introduced during 2015-16. These include;

- Specific initiatives led and pro-actively driven by an expanded student experience team which will enhance the total student life cycle and learning experience to improve retention.
- Collaborative working with the Student Union to enhance and amplify the routes by which the student voice can be heard and listened to.
- Individualised student support to improve student retention, achievement and success supported by diagnostic tests and Enhanced Personal Tutoring across the University based on the best practice.
- Improving student employability by embedding it in all core University activities including academic planning, curriculum, and new courses development. These cover the development of Industry Advisory Group (IAG) in each School, with senior managers from SMEs and large enterprises in the region engaged with the institution to enhance the course content, industry relevance, and student employability.

Students and graduates of the University of Bolton have achieved a number of key successes during 2015-16 in a wide range of disciplines, including the following;

- Games Design and Programming students' team from the University of Bolton, Pathos Studios, won the Channel 4 Award. The team will receive £25,000 of support to start a business and complete their game,

which will then be published by the broadcaster. Pathos also won the Design in Action Award for Commercial Potential, providing financial support and design mentoring to bring their game to market

- University of Bolton Accountancy students found their skills added up to a first place position in the PricewaterhouseCoopers' Masterclass Event challenge. Representing Bolton Business School were Stella Unsworth, Nicola Basnett, Keely Green and Carolyn Franklin who are first and second-year students on the BA (Hons) Accountancy programme.
- A former British Judo champion, Owen Lowery became tetraplegic after suffering a spinal injury while competing invested time in studying, turning to creative writing and publishing two poetry collections with renowned poetry press Carcanet. At the final 2016 Degree Congregation Ceremony on Friday (15 July 2016) Owen was awarded his Creative Writing doctorate, received a prestigious Vice Chancellor's Award and heard the news that his third collection of poetry will be published within the next year.
- Three students graduated in July came through into the degree success via our Access courses.
  - Jesse Omoregie, 41, from Middleton had decided he needed to better prospects and is now focused on studying on a doctorate programme with a career in Clinical Psychology and lecturing ahead.
  - Greece-born Zoi Alepou age 23, completed an Access course and, went on to study Criminology and Psychology. Zoi has now set her sights on a PhD, focusing on developmental psychology.
  - Laura Clarry from Farnworth, having studied Psychology and Community Studies through the Access route enjoyed excellent success in her degree.
  - Blutsay Win came to Britain as a teenage refugee from Burma she did so with only a smattering of English. Now she has a degree in Business Management under her belt, from the University, and she has just been accepted onto a Master's programme in International Management. Blutsay is just one of the University's Access route students. Now age 29, Blutsay works as an interpreter for Language Empire, speaking six languages, including Burmese and Thai.
- TEDxUniversityofBolton, a forward-thinking, student-led conference brought together innovative thinkers from across the University of Bolton and larger community this June to explore ideas for our collective future. Twelve outstanding contemporary thinkers took the stage at Queens Specialist Building Theatre to give their "talk of a lifetime" to a full house audience. A global brand, TEDxUniversityofBolton was the first TEDx event ever to be held in Bolton area. The event sold out two weeks in advance and many viewers tuned in remotely as well.
- University of Bolton Photography BA (Hons) student Paul Cliff had exhibited at the Summer Exhibition at the prestigious Royal Academy of Arts in London . The Royal Academy (RA) was founded to champion the practice of art and the Summer Exhibition, which has run every year since 1769, is the world's largest open submission show, featuring a remarkable mixture of emerging artists and household names. Paul's colour photograph, Pensarn – Llandanwg, forms part of his larger project The Escape Train, which he began for the first-year Photography BA (Hons) Applied Creativity module. Inspired by the practice of psychogeography, the unit encourages students to explore the environment and look at the familiar and mundane in new ways.
- A University of Bolton student has beaten the cream of the world's best young designers to win the top award at the highly prestigious Surtex Designnext Awards in New York. Twenty three year-old Kera Allen from Moss Side in Manchester was presented with the winner's prize of \$1,000 at the Surtex Trade Show in May. Now in its 30th year, Surtex is the global business-to-business marketplace for sourcing original art and design. Each year more than 5,000 buyers and manufacturers from around the world converge on New York to buy or license the newest designs and patterns from trend-setting artists.
- Students from the University of Bolton's film and media production programme have achieved the Premier Award at the twelfth annual Learning on Screen Awards, coming away with the Premier Award for



best overall project. The Learning on Screen Awards celebrate the film and media production in education, teaching, learning and research. They recognise the work of organisations or individuals producing educational media, and this year the judging panel nominated 44 outstanding submissions in 12 categories.

- University of Bolton research student Chathurika Kannangara has had her work exploring new ways of viewing dyslexia published in an international psychology journal. Her research article, published in *Frontiers in Psychology*, explains an original and new model of how to rethink dyslexia and to work with dyslexia more positively. The model has its base in positive psychology principles. Said Chathurika: 'Positive Psychology is the scientific study of optimal human functioning and it aims at exploring what is best in our lives. My theoretical model, 'Moving from Languishing Dyslexia to Thriving Dyslexia', will be fully tested in few months' time, towards the end of my PhD.'

**Student Experience, Teaching & Learning, and Retention:** The University has adopted a holistic approach in terms of its "Student Experience Strategy (2016-2020)", focussing on three key dimensions; Academic, Social, and Professional. The strategy aims to enhance student retention by providing more individualised, and personalised support and learning experience. This is based on a model of early identification of individual student learning needs followed by early intervention. This involves using inclusive student-centred teaching, learning, and assessment strategies to enhance student engagement, attainment, and overall success. A number of innovative approaches were implemented to achieve these objectives, including the following;

- Early Academic Diagnostics i.e. Graduate Skills Tests (GST) in Literacy and Numeracy for all new UG students.
- Proactive student support with enhanced Personal Tutoring (PT+ System) that provides individualised academic support to the students based on their GST outcomes and academic profile.
- Encourage student engagement through enhanced student communications throughout student life cycle, from pre-enrolment to graduation and beyond.
- Continual improvement of overall student satisfaction. This is reflected in the improvements achieved in the recent NSS survey results in many subject areas of the University.
- Enhanced Social Learning Spaces (e.g. Learning Pods in redesigned Social Learning Zone).
- Peer Mentoring System, launch of Academic Societies, etc.

## **b) Research Successes**

1. The University launched its new Research Strategy with three new research investment schemes:

- Jenkinson Awards - for pump priming new research ideas by University staff
- Ainsworth Awards – for the most outstanding University of Bolton students who wish to pursue a fully-funded PhD
- Ryley Awards – for undergraduate students who want to work alongside University research teams.

2. A chance flea market discovery has led to a book featuring the work of Senior Lecturer in Fine Art at the University of Bolton, David Gledhill. The book, *In Camera*, is a collaboration between David and renowned fiction writer and Creative Writing lecturer at Manchester Metropolitan University Nicholas Royle. *In Camera* combines David's monochrome paintings with Nicholas's short-short stories. The book was officially published by Negative Press London in May with a launch event in London.

3. Technical textiles collaboration has been at the heart of a partnership between University of Bolton Professor Subhash Anand MBE and Baltex Managing Director Charles Wood, working together for more than 15 years. Baltex made the move towards specialising in developing three-dimensional knitted fabrics in 2000, beginning their relationship then with leading authority on technical textiles, Prof Anand. Together, Baltex and Prof Anand have worked on a number of research projects, the most recent being the patented Airospring cushion which helps prevent pressure sores, a medical condition which can affect people confined to a single position, such as wheelchair users or those confined to bed. Having developed the Airospring cushion, a mattress topper has now been created. The treatment of pressure sores costs the NHS up to £2.6bn a year.

4. The University secured a number of research and Knowledge exchange awards in 2015 -16 including

- a. KTP awarded and due to commence October 2016, £140k, (J Luo).
- b. KTP awarded and due to commence November 2016, £141k (P Myler).
- c. Horizon 2020, awarded and due to commence October 2016, €556k, (B Kandola), part of a consortium incorporating twelve partners and an overall budget of 5 million euros
- d. DSTL UK, FR Studentship, £177k, B Kandola.

#### **c) National and International Partnerships – Off Campus Division (OFCD)**

As part of the University's strategic plan, OFCD is working closely with the Academic Schools to develop partnerships within the UK and globally to offer high quality programmes. The overarching focus of the division is to actively improve the revenues, surplus generation, and academic contribution to the University through the delivery of high quality UG, PG and Research Degree programmes. It is building strong collaborations with partner institutions in the UK and internationally to achieve this key objective. The Division has established rigorous academic systems and sound governance procedures to develop and manage partnerships.

The OFCD directly contributes to the realisation of the University's Internationalisation goals and provide avenues of pragmatic growth that are academically relevant and financially prudent. As part of this approach, the OFCD is consolidating the current partnerships and developing a limited number of new collaborations based on a set of key factors including; academic quality of partnerships, revenue and surplus generation potential, esteem, future growth, student quality, and demand. Within the UK, OFCD is building a network of progression partnerships for which the University is the preferred HE provider (e.g. Bury College, Bolton College, Alliance Learning amongst others). Internationally, it is focusing on blended and franchised delivery models using technological interventions in learning and teaching as appropriate for the context (e.g. in Malawi, Greece, China, Malaysia and Botswana).

The Off-Campus Division continues to provide a healthy financial contribution to the University from its operations through a clear and deliberate strategy of fewer and larger partnerships within the UK and internationally, and focusing on a set of core clusters of activity. It is important to note that the removal of SNC has enabled most of our FE College Partners in the UK to move completely towards their 'direct' numbers in 2015-16. This resulted in some reduction in revenues, as the fee income goes directly to the partner institutions and the University receives its franchising income share from them. However, the OFCD continues to provide a healthy net surplus contribution to the University.

#### **d) Links to Industry (and delivering Degree Apprenticeships with employment sectors):**

Integral collaborations with industry are a key aspect of the University's strategy to deliver quality UG and PG programmes which produce highly employable graduates. Links with SMEs and large businesses in the region are crucial for knowledge transfer activities and to provide work based learning opportunities for students such as, summer internships, dissertation project placements, and ultimately graduate level jobs. All Eight academic Schools have now created Industry Advisory Boards (IABs) with expert members from industry. These industry experts, in the respective knowledge domains, play a key role in ensuring the currency and industry relevancy of our curriculum thereby directly enhancing the employability of our graduates.

The University of Bolton has also made it a priority to develop and offer a comprehensive range of degree apprenticeship programmes through integrated partnerships with companies in the region. The University will utilise this major growth opportunity and play a significant role in the GM region in delivering the government's ambition of 3 million apprenticeships nationally by 2020. Our approach for developing and delivering Higher Apprenticeships programmes, across various academic disciplines, will build up on the University's "Platinum Critical Mass Courses" strategy in synergy with the TIRI agenda. The provision of apprenticeships will be based on demand drivers from industry, and supports progression of learners to higher education and skilled employment.

Based on a set of defined guidelines, all Eight Academic Schools have created action plans for the Degree Apprenticeship developments; reviewed their course portfolios (current and potential), and explore opportunities to develop apprenticeship programmes in collaboration with industry at all levels (Level 2 to Level 8) including Foundation Degrees (e.g. FdSc), Bachelor's Degrees (e.g. BSc) and Masters Degrees (e.g. MSc). Plans are also being developed to work with our partner institutions in the region (e.g. Bury College, Bolton College, Alliance Learning amongst others). This will create capability and capacity to offer programmes and serve the niche and specialist skills needs of SMEs and large businesses in the region.

#### **e) Educational Opportunities and the Student Body**

The University's record in providing opportunities for learning in higher education is amongst the best in the sector as shown in the data released from the Higher Education Statistics Agency for 2014/15:

- 53% 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 43%. Further, 99.2% of these entrants were from state schools or colleges, which again is well above the University's HESA benchmark of 96.8%.
- 47% of the University's full-time undergraduates are mature (over 21), which is significantly higher than the sector average.
- 31% of the University's total student body study part-time; many of these students are sponsored by employers and engaged in career development.
- 31% of the University's students declare as members of an ethnic minority, which has seen an increase since 2012-13 and significantly higher than the sector average.
- 45% 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.
- 11.4% of the University's undergraduates 11.4% full-time and 4.5% part-time are declared as disabled. The percentages of students with a disability compared to the overall student population have steadily risen over the last five years at the University and far exceeds the sector average.

#### **f) Equality & Diversity**

The University of Bolton continues to be 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 University workforce is also diverse and it has remained broadly comparable with that seen in the same period in the previous academic year. Compared to the sector (source ECU Equality in Higher Education: Statistics Report) the University has a higher proportion of its staff from Black and Minority Ethnic communities. Similarly the proportion of staff who have disclosed that they have a disability was also higher. However, the percentage of University academic staff that are female was slightly less, and the percentage of staff over the age of 50 was slightly higher than the respective sector averages.

The Organisational Development, Equality and Diversity Committee undertakes the task of monitoring the relevant data and advises the Executive Board on equality and diversity matters. The University has an Equal Opportunity Policy and publishes an annual Equality & Diversity Information Report. An Equality & Diversity Action Plan is in place and is reviewed / updated regularly.

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 an Equal Opportunity Policy and Action Plan - which is reviewed and updated on a regular basis. During the academic year there was a focus on raising awareness through initiatives such as Celebrating Diversity Day and launch of a new online training package for new staff.

#### **g) Addressing the Environmental Sustainability Agenda**

The University's 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. The Group continues to oversee estates and facilities improvements which are helping to deliver the University's carbon reduction targets.

### **Public benefit**

As a higher education corporation, the University is a statutory body established under the provisions of the Education Reform Act 1988 and enjoys charitable status as an exempt charity.

The Board of Governors, who are the trustees of the charity, have paid regard to the Charity Commission's public benefit guidance, particularly the supplementary guidance on the advancement of education. The guidance is also included in the induction packs for new Board members. As a Higher Education Corporation (HEC), the University's objects are derived from the powers of a HEC, as set out in section 24 of the Higher Education Reform Act 1988, and Part II of the Further and Higher Education Act 1992. The University's charitable objects are: provide higher education, and carry out research and knowledge exchange.

The Board of Governors consider that they have complied with Section 17 of the Charities Act 2011 with regard to the guidance on public benefit published by the Charity Commission. The paragraphs below demonstrate the public benefit arising through the University's activities. 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 offers bursaries of £1,000 targeted to all those alumni who wish to further their studies at the University but who have no other financial support to do so. This reaffirms the University's commitment to lifelong support for those who can benefit from higher education.
- 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 has now opened and enhances those activities considerably. 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. This year the University sponsored several events including workshops for student and community groups
- 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.
- Of particular note is the University's close involvement in the Bolton Health Mela hosted by our Centre for Research for Health and Wellbeing. The Health Mela offers health advice in a non-threatening and friendly environment and is a key event in the annual schedule of inclusive public health support.
- 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. This is reinforced with an emphasis on employability, enterprise and innovation in a global context.
- Its applied research and knowledge transfer activities support business and industry, the NHS, the Further Education sector and community bodies. In the 2014 research Excellence Framework audit the University was rated by independent international panels as delivering world-leading research in six of the seven subjects submitted. One of the highest rated projects for impact, in English Language and Literature, across the UK focused on how University of Bolton research had helped community groups support the families of prisoners.

## Future Prospects

In 2016-17, the University will focus its efforts on continuing the implementation of its strategic plan and transformation towards a world-class ‘teaching intensive, research informed (TIRI)’ institution.

Continued focus on excellent teaching staff, high quality teaching, physical & technological infrastructure, student experience, support provision, student retention and employability.

The University will have a clear institutional focus on the new Teaching Excellence Framework (TEF) and will invest further in building high quality research that directly contributes to the teaching and also prepare for the Research Excellence Framework (REF 2020).

We will build further collaborations with the partner institutions (e.g. Bury College, Bolton College and others) to strengthen progression pathways and work together with them to expand the provision of Apprenticeships (e.g. Higher and Degree Apprenticeships in focussed areas such as Health and Dental Technologies).

The Queen’s Specialist Building in Farnworth, will move towards full capacity utilisation with a number of UG and PG courses delivered at the facility, contributing to the University’s growth agenda. The building will also serve as a base for industry partners, becoming an exemplar for industry-academic collaboration. Students will have the opportunity to gain valuable industry experience thereby directly improving their employability.

The new STEM Centre will enable expansion of our undergraduate and post-graduate provision in specialist disciplines such as engineering and creative technologies. The Centre will provide state-of-the-art learning infrastructure for our students and will also serve as a hub for our core knowledge transfer operations with industry.

We will progress the proposal to transform and grow the Business School with a vision to establish a new “Institute of Management”. The proposed new Institute will be based on unique industry collaboration, modern infrastructure facilities, a focussed industry oriented course portfolio, and excellent academic staff.

The University is in advanced stages of a merger with Bolton College and Bury College, to enable vertical integration of Higher and Further Education capabilities. This strategic initiative is in response to the national (and GM) review of Post-16 - Sixth Form and FE colleges that is intended to reshape the FE landscape and develop a more effective and responsive system to meet the needs of the national economy. This proposed merger provides an exciting opportunity to shape the future development of education, training and skills in Greater Manchester and beyond with a number of key benefits including the following;

- Create a larger, stronger, and much more sustainable institution with a common mission and values, and place “student learning experience” at the core.
- Strengthen already successful relationships with the Colleges and employers in the region (e.g. the University currently offers a number of degree programmes with the FE Colleges).
- Provide a more comprehensive, flexible and responsive curriculum offer, with the potential to improve access and increase choice for a broader range of learners at all levels.
- Achieve significant growth in student numbers, through the combined institution, with integrated progression opportunities for the learners.
- Strengthen relationships with employers in the region and build a stronger platform for delivering the Government’s apprenticeships agenda especially Higher and Degree apprenticeships.(For instance, Bury College is the one of the largest providers of apprenticeships in GM region.)

Post-merger, both the Colleges would continue as visible and significant brands and provide high quality training and education as part of the combined incorporated University group. This potential partnership with the colleges brings significant complementary strengths to the combined institution. This will be a strategic merger of successful, high performing educational organisations with a record of accomplishment of continuous improvement, high quality standards, excellent achievement rates and outstanding financial performance.

Completion of the merger process with Bolton College and Bury Colleges (Vertical Integration Project - VIP) and work towards the core aim i.e. creating a larger, stronger, and much more sustainable institution will be a key focus of our work over the coming year. The combined institution will have a common mission and values, which will focus on “student learning experience and success”.

## **Financial**

The University has for the 11<sup>th</sup> year running reported an operating surplus. In this case, £2,006,000 (2015: £2,577,000) (on a historical cost basis) which is equal to 4.2% (2015: 5.4%) 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.

### **Principal Risks and Uncertainties**

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 2013-14. This position was successfully consolidated in 2014-15, and given a better understanding of the student market and its demand inelasticity with respect to price, fees were realigned to the market norm of £9,000pa for UG FT courses. This was enabled by the relaxation of the notional £7,500 limiter, and the signalled removal by Government of the SNC cap. As a result the University rationally maximised fee income in the market conditions prevailing.

Looking ahead however, and notwithstanding the decisions taken on financial matters, 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 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

	<b>2015-16</b>	<b>2014-15</b>
	£'000	£'000
Income	47,329	47,974
Expenditure	<u>45,570</u>	<u>45,657</u>
Surplus before FRS 17	1,759	2,317
Defined Benefit Pension Scheme Adjustment under FRS 102	<u>(879)</u>	<u>(866)</u>
Surplus after Defined Benefit Pension Adjustment	880	1,451
Release from Capital Reserve	<u>1,126</u>	<u>1,126</u>
Historical Cost Surplus	<u>2,006</u>	<u>2,577</u>
Historical Cost Surplus as percentage of Income	4.2%	5.4%

## Operating Surplus

The operating surplus was £880,000 (2014: £1,451,000).

## Liquidity

Operating performance has helped to maintain strong cash balances throughout 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 £2,840,000 in 2015-16. This target was achieved during 2006-07 and has been maintained (in fact considerably exceeded) since then. At 31 July 2016 the cash balance was £19,333,000 as shown in the Balance Sheet on page 29 of the Financial Statements.

There was a net outflow of cash in 2015-16, mainly arising from significant Capital Expenditure. The University's cash balances remain significantly ahead of the target set in the financial strategy.

<u>Liquidity Ratios</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
External Borrowing as % of Income	4.6%	6.7%	9.3%
Net Cash Flow from Operations as % of Income	4.3%	9.7%	12.9%
Net Liquidity	164 days	200 days	226 days

## Reserves

At 31 July 2016 the University's Income & Expenditure Account reserves amounted to £29,480,000 before the impact of the Defined Benefit Pension Scheme Adjustment under FRS 102. There was an increase in the retained reserves due to a good operating performance.



## **Borrowings**

The University's current borrowings relate to the finance leases in respect of the two Halls of Residence and have reduced significantly over recent years, they will be cleared completely by 2018.

## **Sustainability**

There have been several factors bearing upon 2015-16 recruitment nationally which will affect the higher education sector going forward. There has been a significant reduction in international students in the sector (primarily UKVI driven); and a reduction in part time recruitment because of employers limiting staff training funds and a reluctance by individuals to pay the new higher fees or take on debt.

Whilst this has impacted on the University, actions taken to control costs have meant that the overall impact of these changes has been contained, as can be seen in the operating performance for the year.

## **Going concern**

The activities of the University, together with the factors likely to affect its future development and performance are set out in this Strategic Report. 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.

## **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:

The Rt Reverend Bishop N McCulloch KCVO  
Chair of the Board of Governors

15 November 2016

## Members of the Board of Governors:

1 August 2015 to 31 July 2016

Name	Category	Sub-Committee Membership	Note
Rt Reverend N McCulloch KCVO MA Hon DCL DLitt (Honoris Causa) DEd (Honoris Causa)	Independent	Resources Nominations Remuneration Ad Hoc	Chair of the Board
Professor HH W Morris MA Cantab (Hons) LLD (Honoris Causa)	Independent	Audit Nominations Remuneration Ad Hoc	Deputy Chair of the Board Chair of Audit Committee from 30.11.2015
Mr M Sheen BA PGCE FCA CTA	Independent	Audit Remuneration Ad Hoc	To 30.11.2015 Chair of Audit Committee to 30.11.2015
Mr R Gould MA (Hons) FCA CCMI	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	Chair of Remuneration Committee
Rev Canon Paul Denby MBE JP DL MPhil Med Hon DD	Independent		From 18.11.2015
Ms R Hannan BA (Hons) BPS Level A & B	Independent	Resources Ad Hoc	
Professor M J Leeming LLB (Hons) Her Majesty's Senior Coroner, Manchester West	Independent	Audit Nominations Ad Hoc	
Mr C Wewer DL BA (Hons) BArch RIBA R1	Independent	Audit Ad Hoc	
Prof R Lewis BA (Hons) MA BPhil PGCE MEd	Statutory Co-opted	Audit Remuneration Ad Hoc	
Professor G E Holmes DL BSc (Hons) MBA PGCE FInstD PhD	Vice Chancellor	Resources Nominations Remuneration	
Mrs A Fitzpatrick BSc (Hons) PGC – HE MSc MCSP SRP Fellow HEA	Senate Member	Nominations	

<b>Name</b>	<b>Category</b>	<b>Sub-Committee Membership</b>	<b>Note</b>
Ms G Waugh BA (Hons) CertEd Med PGDE (PCET) Post Grad Dip Med MA Fellow of the Institute for Learning	Senate Member		
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 Kaddu BA PGDE	Students' Union President		To 30.06.2016
Mrs Vivienne Newton BA (Hons) PGDE	Students' Union President		From 01.07.2016
Ms Chathurika Kannangara MBPS BA MSc	Student Elected Member		

## **Principal Advisors to the University**

### **Bankers**

Co-operative Bank plc, PO Box 101, I Balloon Street, Manchester, M60 4EP  
Lloyds Banking Group, 53 Kings Street, Manchester, M60 2ES

### **External Legal Advisors**

Burges Salmon, One Glass Wharf, Bristol, BS2 0ZX  
DLA Piper LLP, India Buildings, Water Street, Liverpool, L2 0NH  
Eversheds LLP, Eversheds House, 70 Bridgewater Street, Manchester, M1 5ES  
Mills & Reeve, 78 – 84 Colmore Row, Birmingham, B3 2AB  
Shoosmiths LLP, 3 Hardman Street, Spinningfields, Manchester, M3 3HF  
Veale Wasbrough Vizards, Narrow Quay House, Narrow Quay, Bristol, BS1 4QA

42 Bedford Row Chambers, London WC1R 4LL  
Atlantic Chambers, 4 - 6 Cook Street, Liverpool, L2 9QU

### **Financial Advisors**

KPMG LLP Transaction Services, One Snowhill, Snowhill Queensway, Birmingham, B4 6GH

### **External Auditors**

Scott Moncrieff, Exchange Place, 3 Sempie Street, Edinburgh EH3 8BL

### **Internal Audit**

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

## **Statement of Corporate Governance and Internal Control 1 August 2015 – 31 July 2016**

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 and up to the date of approval, 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; and
- apply the Committee of University Chairs' Governance Code of Practice contained in 'The Higher Education Code of Governance (December 2014)' effective from 1 January 2015 which adopts and builds on the 'Nolan Principles of Public Life', which provide an ethical framework for the personal behaviour of governors; and
- clearly define and communicate the scope of its own responsibilities in the context of legislation, governing instruments and guidance including the HE code through the adoption of a Statement of Primary Responsibilities; and
- comply with the Higher Education Funding Council for England's Memorandum of Assurance and Accountability between HEFCE and institutions (2016/12) which was effective from 1 August 2016 and supersedes HEFCE 2014/12 which was operative up to 31 July 2016; 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); and
- have oversight of the University's approach to corporate and social responsibility.

### **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 as those members of the Governing Body listed on pages 17 and 18. 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. The Chair and the Deputy Chair of the Board, are formally appointed by the Governing Body by a nomination and election procedure for a period of two years. 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 Professor Lord Justice Ryder, Lord Justice of Appeal, PC TD DL QC LLD (h.c.) FRSA. He is the Senior President of Tribunals. Supporting the Chancellor in his role is the Pro Chancellor, also appointed by the Governing Body.

The office of Pro Chancellor is a non-constitutional honorary role. The University's first and current Pro Chancellor is Dr Brett Warburton of Warburtons Ltd who was appointed to the role on 1 April 2015.

### **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 a clearly defined scheme of 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 1 August 2015 to 31 July 2016 was 85%.

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 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. Its membership comprises of Independent Governors save for the Chair of the Board of Governors who is precluded from membership.

At least once each financial year, the Audit 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 University has explicitly benchmarked its academic governance arrangements against the CUC Code for Higher Education (Element 4 Academic Governance) since February 2015 via a compliance dashboard presented to the Audit Committee at each meeting and subsequently to the University Board. This dashboard approach has led to enhancements including (i) structured induction for new members of Senate and its Sub-Committees and (ii) comprehensive self-assessment by Senate and its Sub-Committees on an annual basis, leading to a Committee enhancement action plan. In this context the University has also, via its Audit Committee, approved a protocol to support the Governors' Annual Assurance Statement on Quality to HEFCE as part of their new Revised Operating Model for quality assurance and assessment.

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 and consideration to the balance and skills mix of the Governing Body

and the needs of the University. This arrangement ensures there is due reflection on the composition of the Governing Body so that steps may, if necessary, be taken to ensure it reflects societal norms and values.

The **Remuneration Committee** is a decision making body with delegated authority from the Governing Body to review and determine the salaries and other emoluments, conditions of service and, where appropriate, severance payments, of the designated senior post holders which include the statutory roles of Vice Chancellor and Clerk to the Board of Governors. The Governing Body recognises that the proper remuneration of all staff, including the Vice Chancellor and his immediate team, is an important part of ensuring institutional sustainability and protecting the reputation of the institution. Its membership comprises of Independent Governors and the Vice Chancellor who is required to withdraw from the meeting and not be a member when his own salary, other emoluments, conditions of service and, where appropriate, severance payment, are under consideration. The Remuneration Committee is chaired by an Independent Governor who has no other chairing on the Governing Body. It considers comparator information on the emoluments of senior post holders within its remit and all arrangements are unambiguous, diligently recorded and available for review by the University's audit service providers. It further considers the public interest and the safeguarding of public funds alongside the interests of the institution when considering all forms of payment, reward and severance to the senior post holders.

The Remuneration Committee reports on its decisions and operation at least annually to the Governing Body. Its Terms of Reference are reviewed by the Board of Governors at their first meeting in the academic year, every two years.

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 projects 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 Memorandum of Assurance and Accountability (2016/12) 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 2016 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; and
- 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; and



- it receives an annual report from the Audit Committee which includes the Committee's opinion on the adequacy and effectiveness of the University's risk management, control and governance arrangements; processes for promoting value for money through economy, efficiency and effectiveness; and the management and quality assurance of data; and
- it has at least two 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; and
- 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; and
- 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; and
- 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; and
- 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.

The Governing Body is committed to managing its affairs in an open and transparent manner, demonstrated not least by the publication of minutes and agendas of its meetings. Further, it has strict regard to its requirement to ensure that decision-making processes are free of any undue pressures from external interest groups, including donors, alumni, corporate sponsors and political interest groups.

Throughout the academic year and up to the date of approval, the University of Bolton:

- has had due regard to the need to prevent people being drawn into terrorism (the Prevent duty); and
- has provided to HEFCE all required information about its implementation of the Prevent duty; and
- has reported to HEFCE in a timely way all serious issues related to the Prevent duty, or now attaches any reports that should have been made, with an explanation of why they were not submitted.

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.

**Signed on behalf of the Board by:**

Rt Reverend N McCulloch KCVO  
Chair of the Board of Governors

15 November 2016

## **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 2015 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 are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council, 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

15 November 2016

## **Independent Auditor's Report to the Governing Body of the University of Bolton**

We have audited the financial statements of the University of Bolton for the year ended 31 July 2016 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet and the Statement of Cash Flow. 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), FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the University's Governing Body, in accordance with paragraph 12.2 of the University's articles of government. 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 the University's 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 Responsibilities of the Governing Body set out on page 25, the Board of Governors are 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 (APB's) Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements in all material respects:

- give a true and fair view of the state of the University's affairs as at 31 July 2016 and of the University's income and expenditure, gains and losses, changes in reserves and the statement of cash flow for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2015 'Statement of recommended practice: Accounting for Further and Higher Education', and relevant legislation.

### **Opinion on other matters prescribed by the Higher Education Funding Council for England's (HEFCE's) Memorandum of assurance and accountability dated June 2014**

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 relevant legislation;
- funds provided by HEFCE have been applied in accordance with the memorandum of assurance and accountability and any other terms and conditions attached to them; and
- the requirements of HEFCE's accounts direction have been met.

Scott-Moncrieff, Statutory Auditor  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

November 2016

**University of Bolton Statement of Comprehensive Income and Expenditure**  
**Year Ended 31 July 2016**

	Notes	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
<b>Income</b>			
Tuition fees and education contracts	1	38,941	37,829
Funding body grants	2	4,821	6,065
Research grants and contracts	3	604	768
Other income	4	2,786	3,093
Investment income	5	167	203
<b>Total income before endowments and donations</b>		<b>47,319</b>	<b>47,958</b>
Donations and endowments	6	10	16
<b>Total income</b>		<b>47,329</b>	<b>47,974</b>
<b>Expenditure</b>			
Staff costs	7	27,205	25,502
Fundamental restructuring costs	9	97	450
Other operating expenses		15,792	17,194
Depreciation	10	2,541	2,486
Interest and other finance costs	8	814	891
<b>Total expenditure</b>	9	<b>46,449</b>	<b>46,523</b>
<b>Surplus before other gains losses and share of operating surplus/deficit of joint ventures and associates, and before tax</b>		<b>880</b>	<b>1,451</b>
Unrealised surplus on revaluation of land and buildings	10	8,294	0
Actuarial (loss) in respect of pension schemes	25	(2,983)	(2,455)
<b>Total comprehensive income for the year</b>		<b>6,191</b>	<b>(1,004)</b>
Represented by:			
Endowment comprehensive income for the year		1	10
Restricted comprehensive income for the year		1	1
Unrestricted comprehensive income for the year		(979)	111
Revaluation reserve comprehensive income for the year		7,168	(1,126)
Attributable to the University		6,191	(1,004)
Attributable to the non-controlling interest		0	0
		<b>6,191</b>	<b>(1,004)</b>
<b>Surplus for the year attributable to:</b>			
Non controlling interest		0	0
University		880	1,451
All items of income and expenditure relate to continuing activities		<b>880</b>	<b>1,451</b>
<b>Total Comprehensive Income for the Year</b>		<b>6,191</b>	<b>(1,004)</b>

All items of income and expenditure relate to continuing activities.

**University of Bolton Statement of Changes in Reserves  
Year ended 31 July 2016**

	Income and expenditure account			Revaluation reserve	Total
	<i>Endowment</i> £'000	<i>Restricted</i> £'000	<i>Unrestricted</i> £'000	£'000	£'000
<b>Balance at 1 August 2014</b>	<b>185</b>	<b>80</b>	<b>7,225</b>	<b>31,768</b>	<b>39,258</b>
Surplus/(deficit) from the Statement of Comprehensive Income and Expenditure	10	1	1,440	0	1,451
Other comprehensive income	0	0	(2,455)	0	(2,455)
Transfers between revaluation and income and expenditure reserve	0	0	1,126	(1,126)	0
Release of restricted funds spent in year	0	0	0	0	0
<b>Total comprehensive income for the year</b>	<b>10</b>	<b>1</b>	<b>111</b>	<b>(1,126)</b>	<b>(1,004)</b>
<b>Balance at 1 August 2015</b>	<b>195</b>	<b>81</b>	<b>7,336</b>	<b>30,642</b>	<b>38,254</b>
Surplus/(deficit) from the Statement of Comprehensive Income and Expenditure	1	1	878	0	880
Other comprehensive income	0	0	(2,983)	8,294	5,311
Transfers between revaluation and income and expenditure reserve	0	0	1,126	(1,126)	0
Release of restricted funds spent in year	0	0	0	0	0
<b>Total comprehensive income for the year</b>	<b>1</b>	<b>1</b>	<b>(979)</b>	<b>7,168</b>	<b>6,191</b>
<b>Balance at 31 July 2016</b>	<b>196</b>	<b>82</b>	<b>6,357</b>	<b>37,810</b>	<b>44,445</b>

## University of Bolton Balance Sheet

	Notes	As at 31 July 2016 £'000	As at 31 July 2015 £'000
<b>Non-current assets</b>			
Fixed assets	10	80,370	65,805
<b>Current assets</b>			
Trade and other receivables	12	2,122	1,029
Investments	13	960	960
Cash and cash equivalents	19	19,333	23,718
		<u>22,415</u>	<u>25,707</u>
Less: Creditors: amounts falling due within one year	14	(12,804)	(14,956)
<b>Net current (liabilities)/assets</b>		<u>9,611</u>	<u>10,751</u>
<b>Total assets less current liabilities</b>		<b>89,981</b>	76,556
Creditors: amounts falling due after more than one year	15	(19,900)	(16,370)
<b>Provisions</b>			
Pension provisions	16	(25,595)	(21,750)
Other provisions	16	(41)	(182)
<b>Total net assets</b>		<u><u>44,445</u></u>	<u><u>38,254</u></u>
<b>Restricted Reserves</b>			
Income and expenditure reserve - endowment reserve	17	196	195
Income and expenditure reserve - restricted reserve	18	82	81
<b>Unrestricted Reserves</b>			
Income and expenditure reserve - unrestricted	20	6,357	7,336
Revaluation reserve		37,810	30,642
<b>Total Reserves</b>		<u><u>44,445</u></u>	<u><u>38,254</u></u>

The Financial Statements were approved by the Board of Governors on 15 November 2016 and were signed on its behalf by :

Rt Reverend N McCulloch KCVO  
Chair of the Board of Governors

Prof GE Holmes  
Vice Chancellor

## University of Bolton Cash Flow

### Year ended 31 July 2016

	Notes	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		880	1,451
<b>Adjustment for non-cash items</b>			
Depreciation	10	2,541	2,486
Reversal of previous impairment	10	(427)	0
(Increase) / Decrease in debtors	12	(1062)	2,326
Increase / (Decrease) in creditors	14	49	(1,885)
Increase/ in pension provision	16	862	882
(Decrease) in other provisions	16	(141)	(43)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(165)	(203)
Interest payable	8	121	256
Endowment income		(2)	(11)
Capital grant income		(606)	(597)
<b>Net cash inflow from operating activities</b>		<b>2,050</b>	<b>4,662</b>
<b>Cash flows from investing activities</b>			
Capital grants receipts		3,927	446
Investment income		134	179
Payments made to acquire fixed assets		(8,385)	(3,200)
New non-current asset investments		0	(960)
		<b>(4,324)</b>	<b>(3,535)</b>
<b>Cash flows from financing activities</b>			
Interest element of finance lease		(121)	(256)
Endowment cash received		2	11
Repayments of amounts borrowed		(1,000)	(1,000)
Capital element of finance lease		(992)	(859)
		<b>(2,111)</b>	<b>(2,104)</b>
<b>(Decrease) in cash and cash equivalents in the year</b>		<b>(4,385)</b>	<b>(977)</b>
Cash and cash equivalents at beginning of the year	19	23,718	24,695
Cash and cash equivalents at end of the year	19	19,333	23,718

## Statement of Accounting Policies

### for the year ended 31 July 2016

#### 1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards FRS 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

#### 2. Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2016. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or have dominant influence over policy decisions.

Associated companies and joint ventures are accounted for using the equity method where material. Investments in the University's subsidiaries and associates are recorded at cost.

#### 3. Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the statement of income and expenditure on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

#### Grant funding

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

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



## Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms or other restriction applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

## Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

## 4. Accounting for retirement benefits

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 FRS 102 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 the defined benefit pension scheme adjustment under FRS 102 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 2016. All movements on this provision are recognised in the Income and Expenditure account.

## Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the University pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

## Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

## 5. Employment benefits

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

## 6. Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## 8. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

## 9. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the University at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

## 10. Fixed assets

Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

## Land and buildings

Land and buildings are measured using the revaluation model. Under the revaluation model, assets are revalued to fair value. The University has a policy of ensuring a full revaluation takes place at least every 5 years such that the fair value is not materially different to the current value. Depreciation and impairment losses are subsequently charged on the revalued amount.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows

No depreciation is charged on assets in the course of construction.

## Equipment

Equipment, including computers and software, costing less than £10,000 per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

IT and Telecoms Equipment	10 Years
Halls of Residence Furniture	10 Years
Other Equipment	5 Years
Motor Vehicles	4 Years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

## Borrowing costs

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

## 11. Investments

Non current asset investments are held on the Balance Sheet at amortised cost less impairment.

Investments in associates and subsidiaries are carried at cost less impairment. in the University's accounts.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

## 12. Cash and cash equivalents

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

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

## 13. Financial Instruments

Financial instruments are recognised in the Balance sheet when the University becomes party to the contractual provisions of the instrument. All of the University's financial instruments are classified as 'basic' in accordance with Chapter 11 of FRS102. All of the University's financial instruments are initially measured at transaction price. At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest rate method.

Financial assets are derecognised when the contractual rights to the cash flows from asset to expire, or when the University has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

#### **14. Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

#### **15. Taxation**

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) 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.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

#### **16. Reserves**

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

#### **17. Transition to 2015 SORP**

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 27.

Application of first time adoption grants certain exemption from the full requirements of 2015 SORP in the transition period. The following exemptions have been taken into these financial statements:

Fair value or revaluation as deemed cost - at 1 August 2015 fair value has been used for deemed cost for properties measured at fair value.

## Notes to the Accounts

	Notes	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
<b>1 Tuition fees and education contracts</b>			
Full-time home and EU students		31,173	29,724
Full-time international students		3,369	3,420
Part-time students		4,399	4,685
		<u>38,941</u>	<u>37,829</u>
	Notes	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
<b>2 Funding body grants</b>			
Higher Education Funding Council		4,195	5,172
Skills Funding Agency		107	90
Capital grant		506	497
<b>Specific grants</b>			
Higher Education Innovation Fund		13	306
		<u>4,821</u>	<u>6,065</u>
	Notes	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015
<b>3 Research grants and contracts</b>			
Research councils		13	15
Research charities		8	14
Government (UK and overseas)		422	419
Industry and commerce		117	77
Other		44	243
		<u>604</u>	<u>768</u>
	Notes	Year Ended 31 July 2016 £,000	Year Ended 31 July 2015 £,000
<b>4 Other income</b>			
Residences, catering and conferences		1,722	1,924
Other revenue grants		93	223
Other capital grants		100	100
Other income		871	846
		<u>2,786</u>	<u>3,093</u>

	Year Ended 31 July 2016	Year Ended 31 July 2015
Notes	£,000	£,000
<b>5 Investment income</b>		
Investment income on endowments	17	1
Investment income on restricted reserves	18	0
Other investment income	<b>165</b>	202
	<b>167</b>	<b>203</b>

	Year Ended 31 July 2016	Year Ended 31 July 2015
Notes	£,000	£,000
<b>6 Donations and endowments</b>		
New endowments	17	10
Unrestricted donations	<b>10</b>	6
	<b>10</b>	<b>16</b>

	Notes	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
<b>7 Staff costs</b>			
Staff Costs :			
Salaries		21,377	20,323
Social security costs		1,895	1,646
Movement on Pension provisions		359	437
Other pension costs		3,574	3,096
Total		<u>27,205</u>	<u>25,502</u>

	Notes	2015-16 £	2014-15 £
Emoluments of the Vice-Chancellor:			
Salary		222,200	202,500
Benefits (healthcare)		2,100	2,600
		<u>224,300</u>	<u>205,100</u>
Pension contributions to Teachers' Pension Scheme		36,200	28,500
		<u>260,500</u>	<u>233,600</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 .

Remuneration of other higher paid staff, excluding employer's pension contributions :

	2015-16 No.	2015-16 No.
£100,000 to £109,999	0	2
£110,000 to £119,999	4	1
£120,000 to £129,999	1	1
	<u>5</u>	<u>4</u>

	2015-16 No.	2015-16 No.
Average staff numbers by major category :		
Academic	282	281
Support	273	274
Management and specialist	9	13
	<u>564</u>	<u>568</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel. Compensation consists of salary and benefits excluding any employer's pension contribution.

	2015-16 £'000	2015-16 £'000
<b>Key management personnel compensation</b>	<b>453</b>	<b>424</b>

Members of the Board of Governors

The members of the University's Board of Governors are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Board, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of the Board

may have an interest, including those identified below, are conducted in accordance with the University's Financial Regulations and usual procurement procedures.

The President of the Students' Union is also a member of the Board of Governors. Payments to the Students' Union totalled £280,700 (grant) and £1,349 (other transactions) (2013-14, £252,850 and £14,854 respectively). There were no amounts due to the Students' Union at 31 July 2016 (2014-15, nil).

### Transactions with Related Parties

Organisation	Relationship	Detail		2015-16 £'000	2014-15 £'000
Bolton UTC	Prof GE Holmes Mr W Webster Mr A Matthaïou Mr C McClelland Senior Employees of the University / Directors of UTC	Provision of support / services by the University to the UTC	Income	365	
			Expenditure	88	438
			Amounts outstanding at 31 July 2016		
			Receivables	55	
Octagon Theatre Trust	Mr W Webster/ Senior employee of the University is a trustee.	The University is the principal patron of the theatre; the theatre delivers some education services on the University's behalf.	Expenditure	164	66
			Amounts outstanding at 31 July 2016		
			Payables	140	

No Board member has received any remuneration/waived payments from the University during the year (2015 - none)

The total expenses paid to or on behalf of 4 board members was £1,796 (2014-15 - £745 to 4 board members). This represents travel and subsistence expenses incurred in attending Board, Committee meetings and Charity events in their official capacity.



## 8 Interest and other finance costs

	Notes	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Finance lease interest (including finance charge)		121	256
Net charge on pension scheme	25	693	635
		<b>814</b>	<b>891</b>

## 9 Analysis of total expenditure by activity

	Notes	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Academic and related expenditure		32,832	32,535
Administration and central services		4,997	5,696
Premises		5,047	4,732
Residences, catering and conferences		2,220	1,800
Research grants and contracts		451	657
Other expenses		902	1,103
		<b>46,449</b>	<b>46,523</b>

Other operating expenses include:

External auditors remuneration in respect of audit services	31	37
External auditors remuneration in respect of non-audit services	5	14
Operating Lease rentals - Other	79	78
Fundamental restructuring costs	97	450

## 10 Fixed Assets

	Freehold Land and Buildings	Leasehold Land and Buildings	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2015	44,502	23,729	14,836	0	83,067
Additions	3,527	637	800	3,421	8,385
Reverse Impairment	427	0	0	0	427
Surplus on revaluation	46	7,923	0	0	7,969
<b>At 31 July 2016</b>	<b>48,502</b>	<b>32,289</b>	<b>15,636</b>	<b>3,421</b>	<b>99,848</b>
<b>Consisting of valuation as at:</b>					
31 July 2016	23,169	16,893	0	0	40,062
Cost	25,333	15,396	15,636	3,421	59,786
	<b>48,502</b>	<b>32,289</b>	<b>15,636</b>	<b>3,421</b>	<b>99,848</b>
<b>Depreciation</b>					
At 1 August 2015	1,761	705	14,796	0	17,262
Charge for the year	1,782	705	54	0	2,541
Written back on revaluation	(21)	(304)	0	0	(325)
<b>At 31 July 2016</b>	<b>3,522</b>	<b>1,106</b>	<b>14,850</b>	<b>0</b>	<b>19,478</b>
<b>Net book value</b>					
<b>At 31 July 2016</b>	<b>44,980</b>	<b>31,183</b>	<b>786</b>	<b>3,421</b>	<b>80,370</b>
At 31 July 2015	42,741	23,024	40	0	65,805

Included within land and buildings is land valued at £11.8m (2015: £7.8m) freehold which is not depreciated.

The reversal of a former impairment (£427k) is based on the valuation of the public realm area at Deane Road ("the Sward") by Eddisons Chartered Surveyors. The land had been fully impaired previously.

	Freehold Land and Buildings	Leasehold Land and Buildings	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Finance leased assets included above:</b>					
<b>Net Book Value:</b>					
At 31 July 2015	0	11,569	0	0	11,569
At 31 July 2016	0	11,163	0	0	11,163

A full valuation of the University's Deane Road campus was carried out on 31 July 2014 by Eddisons Chartered Surveyors

A full valuation of the University's Farnworth campus, and the public realm area at Deane Road was carried out on 31st July 2016 by Eddisons Chartered Surveyors.

Consolidated fixtures, fittings and equipment include assets held under finance leases as follows:

	<b>Year Ended 31 July 2016</b>	Year Ended 31 July 2015
	<b>£'000</b>	£'000
Cost	599	599
Accumulated depreciation	(599)	(599)
Charge for year	0	0
Net book value	<u>0</u>	<u>0</u>

## 11 Non-Current 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 and are dormant.

Bolton UTC is a company limited by guarantee. The liability is limited to £10 per member; one of the three Subscribers is the Vice Chancellor, Prof. G.E. Holmes.

Under the equity method of accounting of accounting for associates the University's interest in the UTC would amount to  $\frac{1}{3}$  of the 2015-16 operating deficit of £180k, namely £60k; and of the Net Assets of £641k, namely £214k. The University does not consider these to be material so that the UTC has not been treated as an Associate in the Financial Statements.

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

With the exception of Bolton UTC, the non-current investments have been valued at cost because they are un-traded, dormant companies.

## 12 Trade and other receivables

	<b>Year Ended 31 July 2016</b>	Year Ended 31 July 2015
	<b>£'000</b>	£'000
Amounts falling due within one year:		
Grants receivable	7	27
Other trade receivables	1,704	779
Other receivables	181	128
Prepayments	230	95
	<u>2,122</u>	<u>1,029</u>

### 13 Current Investments

	<b>Year Ended 31 July 2016 £'000</b>	Year Ended 31 July 2015 £'000
Short term deposits	<u>960</u>	<u>960</u>
	<u><b>960</b></u>	<u><b>960</b></u>

At its meeting on 1 October 2014, the Board of Governors approved a two year bridging loan facility to the Vice Chancellor of £960,000, repayable on maturity (Note 23).

At 31 July 2016 the interest rate of the short-term deposit was 3.25% per annum. The fair value of the loan was not materially different from the book value.

Financial instrument assets comprise: Grants receivable, other trade receivables, other receivables, and short term deposits. £1,892,000 (2014-15 - £934,000).

### 14 Creditors : amounts falling due within one year

	<b>Year Ended 31 July 2016 £'000</b>	Year Ended 31 July 2015 £'000
Unsecured loans	<b>0</b>	1,000
Obligations under finance leases	<b>1,069</b>	961
Trade payables	<b>1,097</b>	569
Social security and other taxation payable	<b>656</b>	602
Accruals and deferred income	<b>9,982</b>	11,824
	<u><b>12,804</b></u>	<u><b>14,956</b></u>

#### Deferred income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	<b>Year Ended 31 July 2016 £'000</b>	Year Ended 31 July 2015 £'000
Research grants received on account	<b>642</b>	532
Grant income	<b>22</b>	22
Other income	<b>7</b>	24
	<u><b>671</b></u>	<u><b>578</b></u>

Financial instrument liabilities comprise: Obligations under finance leases, trade payables, accruals £8,258,000 (2014-15 - £8,243,000).

## 15 Creditors : amounts falling due after more than one year

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Deferred income	18,750	14,120
Obligations under finance lease	1,150	2,250
	<u>19,900</u>	<u>16,370</u>
Analysis of Deferred Capital Grants as s :		
<b>Due within one year (Note 14)</b>	<b>713</b>	<b>597</b>
Due between one and two years	713	597
Due between two and five years	2,852	2,388
Due in five years or more	15,185	11,135
<b>Due after more than one year</b>	<b>18,750</b>	<b>14,120</b>
<b>Total Deferred Capital Grants</b>	<b>19,463</b>	<b>14,717</b>
Analysis of Obligations under Finance Leases :		
<b>Due within one year or on demand (Note 16)</b>	<b>1,069</b>	<b>961</b>
Due between one and two years	1,150	1,067
Due between two and five years	0	1,183
Due in five years or more	0	0
<b>Due after more than one year</b>	<b>1,150</b>	<b>2,250</b>
<b>Total Finance Leases</b>	<b>2,219</b>	<b>3,211</b>

The value of the exchequer interest retained by HEFCE is £11,304,750 (2014-15 £10,970,701).

## 16 Provisions for liabilities

	Defined Benefit Obligations (Note 25)	Obligation to fund deficit on USS Pension	Pension enhancements on termination	Total Pensions Provisions	Other	Total
At 1 August 2015	19,019	252	2,479	21,750	182	21,932
Utilised in year	0	(15)	(190)	(205)	(141)	(346)
Additions in 2015/16	3,862	5	183	4,050	0	4,050
At 31 July 2016	<u>22,881</u>	<u>242</u>	<u>2,472</u>	<u>25,595</u>	<u>41</u>	<u>25,636</u>

## Defined Benefit Obligations

The obligation to fund the past deficit on the Greater Manchester Pension Fund (GMPF) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the GMPF scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

## USS deficit

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

## Pension enhancement

The assumptions for calculating the provision for pension enhancements on termination under FRS 102, are as follows:

University  
Net Interest Rate 1.20

## 17 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Year Ended 31 July 2016			Year Ended
	Restricted permanent endowments £'000	Expendable endowments £'000	Total £'000	31 July 2015 Total £'000
<b>Balances at 1 August</b>				
Capital	67	45	112	112
Accumulated income	74	9	83	73
	<u>141</u>	<u>54</u>	<u>195</u>	<u>185</u>
New endowments	0	0	0	0
Investment income	1	0	1	10
<b>Total endowment comprehensive income for the year</b>	<u>1</u>	<u>0</u>	<u>1</u>	<u>10</u>
<b>At 31 July</b>	<u>142</u>	<u>54</u>	<u>196</u>	<u>195</u>

Represented by:

	Year Ended 31 July 2016			Year Ended
	Restricted permanent endowments £'000	Expendable endowments £'000	Total £'000	31 July 2015 Total £'000
Capital	67	45	112	112
Accumulated income	75	9	84	83
	<u>142</u>	<u>54</u>	<u>196</u>	<u>195</u>

Analysis by type of purpose:

	Year Ended 31 July 2016			Year Ended 31 July 2015
	Restricted permanent endowments	Expendable endowments	Total	Total
	£'000	£'000	£'000	£'000
Prize funds	90	0	90	90
General	52	54	106	105
	<b>142</b>	<b>54</b>	<b>196</b>	<b>195</b>

Analysis by asset

	Year Ended 31 July 2016	Year Ended 31 July 2015
Cash & cash equivalents	<u>196</u>	<u>195</u>

## 18 Restricted Reserves

Reserves with restrictions are as follows:

	Year Ended 31 July 2016		Year Ended 31 July 2015
	Donations £'000	Total £'000	Total £'000
<b>Balances at 1 August</b>	81	81	80
New donations	0	0	1
Investment income	1	1	0
<b>Total restricted comprehensive income for the year</b>	<u>1</u>	<u>1</u>	<u>1</u>
<b>At 31 July</b>	<u>82</u>	<u>82</u>	<u>81</u>

	Year Ended 31 July 2016	Year Ended 31 July 2015
	Total £'000	Total £'000
<b>Analysis of other restricted funds /donations by type of purpose:</b>		
Scholarships and bursaries	12	12
Research support	37	36
Prize funds	1	1
General	32	32
	<u>82</u>	<u>81</u>

## 19 Cash and cash equivalents

	At 1st August 2015 £'000	Cash Flows Flows £'000	At 31st July 2016 £'000
<b>Consolidated</b>			
Cash and cash equivalents	23,718	(4,385)	<b>19,333</b>

## 20. Analysis of Reserves

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Income and Expenditure Reserve	29,480	26,607
Pension Reserve Local Government Pension Scheme	(22,881)	(19,019)
USS Pension	(242)	(252)
	<u>6,357</u>	<u>7,336</u>
Restricted Reserves	278	276
	<u>6,635</u>	<u>7,612</u>
Revaluation Reserve	37,810	30,642
	<u><b>44,445</b></u>	<u><b>38,254</b></u>

## 21 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2016:

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Commitments contracted for	<u>6,283</u>	<u>0</u>

## 22 Lease obligations

Total rentals payable under operating leases:

	Year Ended 31 July 2016 Other leases £'000	Year Ended 31 July 2015 Other Leases £'000
<b>Payable during the year</b>	79	78
<b>Future minimum lease payments due:</b>		
Not later than 1 year	34	79
Later than 1 year and not later than 5 years	20	54
Later than 5 years	0	0
<b>Total lease payments due</b>	<u><b>54</b></u>	<u><b>133</b></u>



## 23 Events after the reporting period

Merger discussions have been taking place with Bolton College and Bury College . Following public consultation and due diligence the merger was agreed by the boards of the Colleges, and the University. Further commentary on the merger is given on pages 13 and 14 of the Strategic Report.

The Net Asset values of the college were, as at 31 July 2015 Bolton College £35.6m and Bury College £31.3m.

The Board of Governors, at its Special Meeting held on 1 October 2014, approved a loan to the Vice Chancellor of £960,000 for a fixed and invariable period of two years, at an interest rate of 3.25%. The loan, together with the interest was repaid in full on its due date, 31 October 2016.

## 24 Subsidiary undertakings

The subsidiary companies (all of which are registered in England & Wales), wholly-owned or effectively controlled by the University, are as follows:

Company	Principal Activity	Reporting Date	Status	Note
The University of Bolton Enterprises Company Ltd	Dormant	31 July	100% owned	
Blu U Thefutureversity Ltd.	Dormant	31 July	100% owned	
Bolton Institute Enterprises Ltd	Dormant	31 July	100% owned	

## 25. 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:

	2015-16	2014-15
	£000	£000
TPS Contributions Paid	1,889	1,549
GMPF Charge to the Income and Expenditure Account	1,750	1,657
USS Contributions paid	111	245
Enhanced Pension Provision	<u>183</u>	<u>82</u>
Total Pension Cost (Note 7)	<u>3,933</u>	<u>3,533</u>

Outstanding Employer and Employees' Pension Contributions at 31 July, paid early August	455	394
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The assumptions and other data relevant to the determination of the contribution levels of the scheme are:

	TPS	GMPF	USS
Investment Returns per annum	Nil	2.4%	4.8%
Salary Scale increase per annum	4.75%	3.2%	4.3%
Pension increase per annum	2.0%	1.9%	2.5%
Market Value of Assets at date of last valuation	Nil	£47M	£38,600M
MFR proportion of members' accrued benefits covered by the actuarial value of the assets.	Nil	70%	77%

### 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 were implemented in September 2015.

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

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

### **Scheme Changes**

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,889,000 (2014-15: £1,549,000).

### **Universities Superannuation Scheme**

The Universities' Superannuation Scheme (USS) is the main scheme covering most academic and academic-related staff, which provides benefits based on final pensionable salary.

The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Limited.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual Universities and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other Universities' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102(28), accounts for the scheme as if it were a defined contribution scheme.

As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the Company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2014. This was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to convert their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2015 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation

implied by government bonds (particularly when compared to the Bank of England's target of 2.0% for CPI which corresponds broadly to 2.8% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum (which includes an additional assumed investment return over gilts), salary increases would be 3.6% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA ("light") YoB tables - no age rating
Female members' mortality	S1NA ("light") YoB tables - rates down one year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Male (females) currently aged 65	24.2 (26.3) years
Males (females) currently aged 45	26.2 (28.6) years

At the valuation date the value of the assets of the scheme was £41.6bn and the value of the scheme's technical provisions was £46.9bn indicating a deficit of £5.3bn. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 82% funded on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 82% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 102(28) formula as if USS was a single employer scheme.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2031.

The employers' deficit contributions until 31 March 2031 will amount to 18% of salaries less the employer's share of the cost of the accrual in the defined benefit scheme and the expenses of administering the scheme including Pension Protection Fund levies. On the assumptions made and once the salary threshold and defined contribution section are introduced this gives rise to deficit contributions of at least 2.1% of salaries over the period to 31 March 2031. From 1 April 2016 until the salary threshold and defined contribution section are introduced (to be implemented as soon as practicable) the deficit contributions amount to 2.5% of salaries. The University has raised a provision to cover this cost £242k (2014-15 £252k).

The next formal triennial actuarial valuation is as at 31 March 2017. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2017 is estimated to be £5bn, equivalent to a funding level of 91%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high.

Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation. Since the valuation effective date there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

Normal Pension Age - This will remain at 65 until October 2020 when it will increase to 66.

Flexible Retirement - Flexible retirement options were introduced.

Members contributions increased - From 1 April 2016 employee contributions increased to 8% of salaries per annum. Employer contributions increased to 18% from 16%.

Pension increase cap - USS will match increases in official pensions for the first 5%, if official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%, So, if official pensions increased by 15% USS increases would be 10%.

The actuary has estimated that the funding level as at 31 March 2014 under the scheme specific funding regime had fallen from 92% to 89% (a deficit of circa £5.3bn). Over the past twelve months, the funding level has worsened from 89%, as at 31 March 2014 to 86%. This estimate is based on the funding level at 31 March 2015, adjusted to reflect the fund's actual investment performance over the last year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is at 31 March 2017 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 April 2016, new joiners to the scheme join the new revalued benefits section rather than the existing final salary section.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

	Change	Change in Technical Provisions deficit	Change in Total Contribution Rate
	%	£bn	17 year recovery period % of Salaries
Initial discount rate	+/- 0.25%	-/+ £0.8bn	-/+ 0.5%
Discount rate in 20 years time	+/- 0.25%	-/+ £1.1bn	-/+ 2.1%
RPI Inflation	-/+ 0.1%	-/+ £0.8bn	-/+ 1.9%
Long-term life expectancy improvement trend	+ 1.75%	+ £0.5bn	+ 0.8%

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that, over the long-term, equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risks relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching relative to the liabilities. This taking of investment risk seeks to target a greater return that the matching assets would provide whilst maintaining a prudent approach to meeting the funds' liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers.

At 31 March 2014, USS had over 167,000 active members and the University had 15 active members participating in the scheme.

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers, enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. However, the trustee is mindful of the difficult economic climate that exists for defined benefits pension schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan become necessary following the next valuation to compile a formal financial management plan, which will bring together the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

The total pension cost for the University was £111k (2014-15 £245k). The contribution rate payable by the University was 16% to 31 March 2016 and 18% from 1 April 2016 of pensionable salaries

### 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 21.7% of pensionable salaries to March 2016, rising to 23.27% from April 2016.

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 2016.

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 2016 were:

	<b>2015-16</b>	<b>2014-15</b>
Rate of Increase in Pension	1.9%	2.6%
Rate of Increase in Salaries	3.2%	3.8%
Discount Rate	2.4%	3.6%
Inflation Assumption	1.9%	3.6%

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

	<b>Males Years</b>	<b>Females Years</b>
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**

	<b>Value at 2015-16 £000</b>	<b>Value at 2014-15 £000</b>
Equities	39,035	33,635
Bonds	9,090	8,527
Property	2,673	3,316
Cash	<u>2,673</u>	<u>1,895</u>
	<u>53,471</u>	<u>47,373</u>

## Changes in the Fair Value of Plan Assets Defined Benefit Obligation and Net Liability for Year end 31 July 2016

Period Ended 31 July 2016	Assets £,000	Obligations £'000	Net (liability) / asset £'000
Fair Value of Plan Assets	47,373	0	47,373
Present Value of Funded Liabilities	0	66,249	(66,249)
Present Value of Unfunded Liabilities	0	143	(143)
<b>Opening Position as at 31 July 2015</b>	<b>47,373</b>	<b>66,392</b>	<b>(19,019)</b>
Service Cost			
Current Service Cost*	0	1,760	(1,760)
Effect of Settlements	0	0	0
<b>Total Service Cost</b>	<b>0</b>	<b>1,760</b>	<b>(1,760)</b>
Net Interest			
Interest income on plan assets	1,713	0	1,713
Interest cost on defined benefit obligation	0	2,401	(2,401)
<b>Total Net Interest</b>	<b>1,713</b>	<b>2,401</b>	<b>(688)</b>
<b>Total defined benefit cost recognised in Surplus or (Deficit)</b>	<b>1,713</b>	<b>4,161</b>	<b>(2,448)</b>
Cashflows			
Plan participants' contributions	496	496	0
Employer contributions	1,559	0	1,559
Contributions in respect of defined benefits	10	0	10
Benefits paid	(1,655)	(1,655)	0
Unfunded benefits paid	(10)	(10)	0
<b>Expected Closing Position</b>	<b>49,486</b>	<b>69,384</b>	<b>(19,898)</b>
Remeasurements			
Changes in financial assumptions	0	7,867	(7,867)
Other Experience	0	(899)	899
Return on assets excluding amounts included in net interest	3,985	0	3,985
<b>Total Remeasurements recognised in Other Comprehensive Income</b>	<b>3,985</b>	<b>6,968</b>	<b>(2,983)</b>
Fair Value of Plan Assets	53,471	-	53,471
Present Value of Funded liabilities	0	76,210	(76,210)
Present Value of Unfunded liabilities	0	142	(142)
<b>Closing Position as at 31 July 2016</b>	<b>53,471</b>	<b>76,352</b>	<b>(22,881)</b>

The estimated value of employer contributions for the year ended 31 July 2017 is £1,559,000.

## 26. Accounting estimates and judgements

### Tangible Assets (Note 10)

Land and Buildings both the value and the expected useful life are estimated by a professional valuer as part of the valuation process. Equipment is capitalised at cost, and estimated to have an expected useful life as follows: -

IT and Telecoms Equipment	10 Years
Halls of Residence Furniture	10 Years
Other Equipment	5 Years
Motor Vehicles	4 Years

### Pension Provisions (Notes 16 and 25)

#### Greater Manchester Pension Fund (Defined Benefit Scheme).

The material assumptions used by the scheme's actuary at 31 July 2016 wkin order to assess the value of the University's obligations under the Greater Manchester Pension Fund were as follows: - :

	<b>2015-16</b>	<b>2014-15</b>
Rate of Increase in Pension	1.9%	2.6%
Rate of Increase in Salaries	3.2%	3.8%
Discount Rate	2.4%	3.6%
Inflation Assumption	1.9%	3.6%

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

	<b>Males Years</b>	<b>Females Years</b>
Mortality Assumptions		
Current Pensioners	21.4	24.0
Future Pensioners	24.0	26.6

#### Universities Superannuation Scheme.

The scheme's actuary calculated the technical provisions, on assumption that the valuation rate of interest would be 6.1% per annum (which includes an additional assumed investment return over gilts), salary increases would be 3.6% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 2.6% per annum thereafter.

#### Pension enhancement

The assumptions for calculating the provision for pension enhancements on termination under FRS 102, were as follows:

Net Interest Rate	1.20
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Beyond this, the University does not hold any complex or derivatives financial; instruments that would require the use of sophisticated models to provide an estimated valuation

## 27 Transition to FRS 102 and the 2015 SORP

Transition to FRS 102 and the 2015 SORP. As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 April 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP).



An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

<b>Financial position</b>	<b>1 August 2014 £'000</b>	<b>31 July 2015 £'000</b>
<b>Total reserves under 2007 SORP</b>	39,226	38,335
USS pension provision	(128)	(252)
Employee leave accrual	(105)	(105)
Endowments	265	276
<b>Total effect of transition to FRS 102</b>	<b>32</b>	<b>(81)</b>
<b>Total reserves under 2015 SORP</b>	<b>39,258</b>	<b>38,254</b>

<b>Financial performance</b>	<b>Year Ended 31 July 2015 £'000</b>
<b>Surplus for the year under 2007 SORP</b>	<b>2,377</b>
USS pension provision	(124)
Defined Benefit Pension Scheme Adjustment under FRS 102	(813)
Endowments	11
<b>Total effect of transition to FRS 102</b>	<b>(926)</b>
<b>Total Surplus / (Deficit) for the Year under 2015 SORP</b>	<b>1,451</b>
<b>Statement of Recognised Deficits and Surpluses for the Year under 2007 SORP</b>	<b>(880)</b>
Effect of transition on Surplus / (Deficit)	(926)
Defined Benefit Pension Scheme Adjustment under FRS 102 now Charged to Income Statement	813
Endowments now recognised in Income Statement	(11)
<b>Total effect of transition to FRS 102</b>	<b>(124)</b>
<b>Total comprehensive income for the year under 2015 SORP</b>	<b>(1,004)</b>

## Closing Financial Position 31 July 2015

	As at 31 July 2015 £'000	FRS 102 Adjustments	Other Adjustments*	As at 31 July 2015
<b>Fixed Assets</b>				
Tangible Assets	65,805	0	0	65,805
<b>Endowment Assets</b>	<b>276</b>	<b>(276)</b>	<b>0</b>	<b>0</b>
<b>Current Assets</b>				
Debtors - due within one year	3,462	0	(2,433)	1,029
Investments	960	0	0	960
Cash at bank and in hand	23,442	276	0	23,718
<b>Total current assets</b>	<b>27,864</b>	<b>276</b>	<b>(2,433)</b>	<b>25,707</b>
Creditors: amounts falling due within one year	(16,687)	(702)	2,433	(14,956)
<b>Net Current Assets</b>	<b>11,177</b>	<b>(426)</b>	<b>0</b>	<b>10,751</b>
<b>Total assets less current liabilities</b>	<b>77,258</b>	<b>(702)</b>	<b>0</b>	<b>76,556</b>
Creditors: amounts falling due after more than one year	(2,250)	(14,120)	0	(16,370)
Provisions	(182)	0	0	(182)
Pension Provisions	(21,498)	(252)	0	(21,750)
<b>Total net assets</b>	<b>53,328</b>	<b>(15,074)</b>	<b>0</b>	<b>38,254</b>
Deferred Capital Grants	14,717	(14,717)	0	0
Expendable endowments	276	(266)	0	10
<b>Unrestricted reserves</b>				
Revaluation Reserve	30,642	0	0	30,642
I&E reserve - unrestricted	7,693	(357)	0	7,336
<b>Restricted reserves</b>				
I&E reserve - restricted	0	80	0	80
I&E reserve - endowment	0	186	0	186
<b>Total Funds</b>	<b>53,328</b>	<b>(15,074)</b>	<b>0</b>	<b>38,254</b>

\*Other Adjustments arose from the review of balances consequent on the implementation of FRS 102. Reclassification of leasehold land as freehold land £1,820k; reclassifications between creditors and debtors £2,433k; and the reclassification of trade payables as accruals £6,389.

### Cash Flows

The only impact of transition to FRS 102 on the cash the flows of the University is the reclassification of some short term investments to cash and cash equivalents as shown above.

The review of accounting practices undertaken as a consequence of the implementation of FRS 102 has to the reclassification for reporting purposes of certain of the University's balances.