
Annual Report & Financial
Statements 2012-2013

Contents

Chair of the Board Welcome

This year has been an exciting one for The Manchester College and as Chair of the Board of Governors for the organisation I am proud to be part of the journey we are on to move the College forward.

In 2012/13 our Chief Executive, John Thornhill, led the organisation through a Strategic Opportunities Review, which gave us the opportunity to take stock and look at the direction we need to take to ensure we continue to be a driving force in our field.

I am incredibly excited about the future direction of the organisation. I believe it will give us the opportunity to capitalise on our recent successes and move The Manchester College forward to even greater achievements.

I am more than confident that we will meet our new targets and in the process continue to challenge, innovate and respond to the needs of our learners and employers, as well as the wider economic needs of Greater Manchester and beyond.

Looking through this annual report I have enjoyed reflecting on what we have achieved as an organisation over the last 12 months and I am impressed by how far we have come in our journey for future development. I hope you will join us in celebrating what has been a successful year for The Manchester College, and look forward with us to an exciting future.

Councillor Sue Murphy
Chair of the Board, The Manchester College

Chief Executive's Welcome

Looking back over 2012/13 much of our focus has been on reviewing and realigning where we are as a business and making plans for where we want to be in the future. Embarking upon an ambitious Strategic Opportunities Review at the end of 2012, we have spent the last year looking at all aspects of what we do and how we do it and re-assessing our priorities. Our focus has been on setting the future direction of the organisation for the next three to five years and ensuring that as an organisation we are equipped to deliver this exciting vision. Embedding a positive culture within the organisation is central to us achieving future success, and I am delighted to have worked with colleagues and key stakeholders over the last year to develop a new set of values that are core to everything that we do at The Manchester College. Moving forward, these will be our guiding principles, ensuring that we are continuing to innovate, challenge and focus on our customers' needs.

Throughout the Strategic Opportunities Review we have also been getting on with the day job, ensuring that we are meeting the educational needs of the people of Greater Manchester and beyond.

Our priority for next year continues to be quality, efficiency, growth and increasing our customer focus. I am delighted that as an organisation we finished ahead of our financial targets achieving a 'good' rating for the first time. This success is something that we aim to maintain moving forward.

Having achieved so much over the last year through our engagement with our communities, employers and learners, I am looking forward to taking the organisation forward. We now have a very clear vision of where we are going, and I am excited and positive about the opportunities and challenges that await us. 2013/14 is going to be a significant period of change and growth for The Manchester College and it is with enthusiasm and passion that I look to the year ahead.

John Thornhill
Chief Executive, The Manchester College

Our Mission
To improve lives and economic success through learning and skills

our strategy, vision and values

Our Vision

The Manchester College is already a group of organisations within a whole. In the next year we aim to formalise this in a new group structure, which will allow many of our commercial areas of activity the space to grow further to reach their full potential. We are focused on achieving quantified goals for our separate areas of operation, as captured in our strategic business objectives. These are in line with our visions for our five main areas of activity:

Further Education:	'The leading college for progression and employability'
Higher Education:	'A leading provider of flexible, affordable, career-relevant, university education'
Offender Learning:	'The UK leader and innovator in Offender Learning, skills and employability'
Apprenticeships and Employer Training:	'A leading provider of regional and national employer training'
MOL:	'The UK leader in the flexible provision of professional qualifications'

Our Values

- integrity
- can do
- always improving
- sustainable
- one team

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting The Manchester College. The Corporation was incorporated as The Manchester College and is also known as 'TMC' or 'the College'. The College is an exempt charity for the purposes of the Charities Act 2011. The College was established under the terms of statutory instrument 2008 No 1418 and with effect from 1 August 2008.


Strategy, Vision
and Values

Operating and Financial Review

The Manchester College, Leader in our Local Community...

1,585
HE Learners

100%
Pass rate in 21 A Level Subjects

£1.8m
Invested in IT Network and Infrastructure

32%
Market Share in Manchester for 16-18 Learners

13%
Increase in Student Satisfaction

Over **200**
Children in our Nurseries

612
PT 16-18 Learners

86%
Of our University Level Students are Highly Satisfied

32%
increase in Apprenticeship overall success rates

5,321
FT 16-18 Learners

14
Campuses Across Manchester

3,920
FT Adult Learners

... and a National Influence

4,194
Learners with Disability or Learning Difficulty

4,461
Staff

43%
Market Share in the Education Custody Sector

£5.5m
In Student Financial Support

No 1
Largest FE College in the UK

Working with over
3,000
Employers

£2.8m
Invested in Land and our Buildings

1,483
Apprentices

35,330
Offender Learning Students

10,313
PT Adult Learners

No 1
Market Leader in Offender Learning

5,083
MOL Learners

The Manchester College is committed to delivering high quality provision to the residents of local communities, working in close partnership with community groups to engage hard to reach residents.

community engagement

During 2012/13 we worked closely with a variety of partners such as the Local Authority regeneration teams, Job Centre Plus, Housing Associations and Work Programme Prime Contractors. Through collaborative working we help support a significant number of people in our communities:

- Around 672 learners enrolled on programmes between August 2012 and July 2013
- 189 individuals successfully gained employment
- 141 learners progressed onto a further course within the programmes for unemployed people

Our programmes for unemployed people were complemented by subcontracted delivery through several voluntary and community organisations to more than 900 local residents on engagement and employability programmes, which enabled residents to attend community venues and progress to further education, training or employment. This included a partnership with The Princes Trust to deliver engagement and progression provision in the community, resulting in 300 enrolments across 12 external venues.

Our work with communities focused upon:

- Reducing numbers of young people not in education, employment or training (NEET) across the city and the wider GM area
- Supporting areas of high deprivation across the city, reducing unemployment and engaging with harder-to-reach groups with barriers to education

> Our community work focused on reducing NEETs and supporting areas of high deprivation.

We worked with over 3,000 employers including SMEs and large corporations to support local and national economic growth.

employer engagement

During 2012/13 we continued to grow our offer to employers within Greater Manchester and beyond.

Over the last year there have been many successes including:

- Delivered customised training solutions to Jaguar Land Rover, Preston Bus, Sodexo, The Manchester Hoteliers Association, Chess Telecom, Manchester City Council, Stockport Council and Vauxhall.
- Invited to become a preferred provider for Energy Utilities (EU) Skills to provide training solutions for the Power Industry through the Employer Ownership of Skills (EOS) programme.
- Lead partner with the Institute of Motor Industry supporting the identification and development of qualification to fill the skills gaps of the motor industry.
- Through our pre-employment programme we have worked with major employers such as Royal Mail, Blue Arrow, Northwood Housing, Aldi and Fairfield Central Manchester NHS Trust to help support local residents back into employment.

> “Our Apprenticeship offer grew to over 1,400 apprentices enrolled at the College.”


Employer
Engagement

2012/13 was the year of "Student Experience" for The Manchester College learners. During the year a significant focus was placed on improving the learner experience for those who choose to study with us.

student engagement

During the summer of 2012 we developed a new youth brand, 'For the Experience', which focused upon the importance of both the academic and social experience of studying at The Manchester College. A modern youth focused prospectus launched the new brand and we committed to ensuring that the student experience reflected the promise of the new brand.

Experience Team

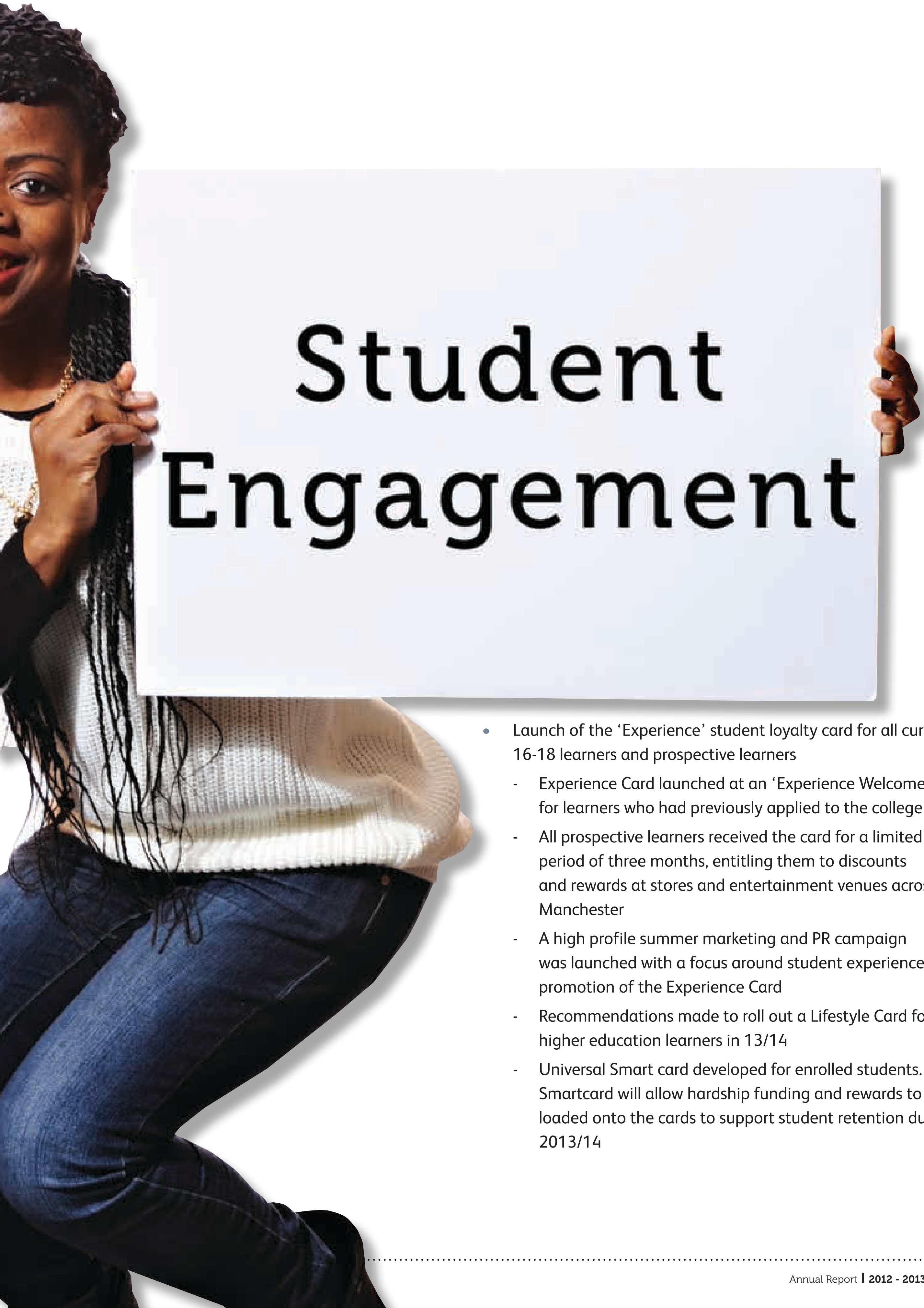
Throughout Spring 2013 an internal Experience group was established to review all elements of the student experience. Focusing on our 16-18 students, we reviewed the complete learner journey and identified six key areas for development:

- Attracting Learners
- Communication and Keep Warm
- First Experience
- Product Offer
- LEAN Enrolment
- Application Transformation

Making a difference for our learners

During a three month period the Experience group committed to improving the learner experience for The Manchester College students. Key achievements of the project were:

- A full review of our open days and interview evenings took place and mystery shoppers were introduced to improve the first experience for prospective learners
- A thorough evaluation of our activity within schools was undertaken with recommendations for significant growth and development in this area for 2013/14
- Responding to feedback from current learners we revamped the student handbook, updating content and moving to an on-line version. Significant improvements were made to the student intranet with access to the handbook being via a new look intranet



- Launch of the ‘Experience’ student loyalty card for all current 16-18 learners and prospective learners
  - Experience Card launched at an ‘Experience Welcome Day’ for learners who had previously applied to the college
  - All prospective learners received the card for a limited period of three months, entitling them to discounts and rewards at stores and entertainment venues across Manchester
  - A high profile summer marketing and PR campaign was launched with a focus around student experience and promotion of the Experience Card
  - Recommendations made to roll out a Lifestyle Card for higher education learners in 13/14
  - Universal Smart card developed for enrolled students. The Smartcard will allow hardship funding and rewards to be loaded onto the cards to support student retention during 2013/14

success & outcomes

We continued to improve our success rates and focused on achieving the very best outcome for all our learners throughout Greater Manchester and nationally.

A strong trend of improvement in long course success rates, particularly for 16-18 year olds, saw our long course success rate rise for a fourth consecutive year and outstrip the national average.

- 16-18 success rates at levels 2 and 3 respectively increased by an impressive 15 % in the last 4 years
- Success rates for our Adult students increased more than 10 % during same period
- Only Level 1 has actually recorded a decrease in success of 2 %. However this was in-line with the curriculum strategy of focusing more on substantial programmes and offering less additionality type courses

Success and outcomes

2011/12				
1. Classroom Based	**16-18 Long**	**16-18 Short**	**Adult Long**	**Adult Short**
The Manchester College	84%	82%	80%	87%

2012/13				
1.1 Classroom Based	**16-18 Long**	**16-18 Short**	**Adult Long**	**Adult Short**
The Manchester College	85%	87%	82%	92%

2011/12		
2. Apprenticeship	**Advanced Apps**	**Apprenticeships**
The Manchester College	67%	58%

2012/13		
2.2 Apprenticeship	**Advanced Apps**	**Apprenticeships**
The Manchester College	80%	74%

2011/12	
3. HE	**HE**
The Manchester College	69%

2012/13	
3.3 HE	**HE**
The Manchester College	73%

2011/12	
4. OLASS	**Overall**
The Manchester College	88%

2012/13	
4.4 OLASS	**Overall**
The Manchester College	85%

Key successes

- Overall Apprenticeship success rates in 2012/13 improved on the previous year and are likely to be around or just above national average
- Success rates on HE programmes increased by 4 % on previous year
- OLASS success rates remained high and were consistent with previous year


Success and
Outcomes

Throughout the year significant investment has been made in developing our estate, IT infrastructure and most importantly, our people.

employee engagement

Investing In Our People

The Manchester College values its workforce as an asset and passionately believes in the importance of investing in our people. During 2012/13, the College focused on empowering our staff to take ownership of their own development, with support from their managers and the College as a whole. Working within recognised good practice guidelines, such as the national standard of Investors in People, we ensured that both the quality and quantity of training and development was relevant and "fit for purpose".

During 2012/13 we invested in a variety of developmental activities with our staff:

The Pacific Institute

78 staff have taken part in the Investing In Excellence course. 20 Managers completed The Power Of One, both of which are aspirational cultural programmes.

Teaching Qualifications

During this academic year, eight staff have undertaken the introductory teaching programme, the Level 4 Award Teaching in the Lifelong Learning Sector.

During this academic year a total of 46 members of staff studied either the Certificate in Education (Level 5) or a Professional Graduate Certificate Education (Level 6). In addition we had three Higher Education Teachers undertaking the Post Graduate Certificate Academic Practice (Level 7) with the University Of Salford, at the same time achieving Fellowship Higher Education Academy.

Higher Education

Two staff started studying for a Foundation Degree, with a further six studying for a Bachelor's Degree in a topic relevant to their role. Three staff began a Masters in Human Resources and Development with one member of staff completing a Masters in Education Leadership.

Assessor/Verifier Qualifications

28 staff have undertaken the Certificate In Assessing Achievement qualification, with 14 staff undertaking Assessing Awards and updates with Awarding Bodies such as City & Guilds, Institute Of leadership & Management and Certificate Competence In Educational Testing.

Management Development

64 line managers completed the ILM level 3, with a view to introducing Level 5 and Level 7 in 2013/14.

Staff Development

Working proactively to support and develop our people, 758 staff engaged in a broad range of qualifications including British Sign Language, Counselling, Deaf Awareness, functional skills of English, Maths, ICT and a variety of technical and professional courses.

Growing The Manchester College depends upon us growing our people.


ANCHESTER
COLLEGE

Investing in our Community Environment

The Manchester College consists of 44 buildings across 14 locations, comprising some 106,000 square meters.

During the year we have produced a draft Estates Strategy which intends:

- To ensure flexible usage is designed into all new build and refurbishment projects
- To provide spaces that combines first class functional design with a distinctive and ambitious style
- To develop and maintain an estate and infrastructure that is compliant with relevant legislation and is financially and environmentally sustainable
- To promote and encourage the efficient and effective use of space by the College and, as appropriate, to realise its commercial potential
- To provide a safe, secure and accessible environment on all College campuses
- To complete approved schemes to programme and budget
- To adopt an integrated approach to providing appropriate estates services that will meet changing circumstances and challenges over the short to medium term

Capital projects

A number of significant Capital projects were implemented in 2012/13, these include-

- A new Link Building at our Nicholls Campus, the refurbishment of the Learning Resource Centre and refurbishment of the science labs in the 6th Form Centre
- The replacement of the electrical systems at our Shena Simon Campus, a Grade 2 listed building
- A new production line extension at our construction training centre, The Manchester School of Building
- Phase 1 refurbishment of the former gymnasium at our Fielden Campus

Reprographics Services

2012/13 has seen the centralised Reprographics team expand the service into areas such as MOL and Offender Learning, representing cost savings and greater project control. A procurement process has started to replace desk top printers with Multi-Functional Devices College wide to achieve a state of the art provision with “Follow Me print” software increasing flexibility and reducing costs.

Catering Service

During 2012/13 the Catering service has delivered a quality customer focused service maintaining standards whilst improving performance. We have shown an increased Gross Profit % and a reduction in staffing levels facilitating improved cost effectiveness, and a decrease in the subsidy compared to 2011/12. Also, with our continued development of apprentices, we were pleased that a former apprentice now works at the Crown Plaza airport hotel, and another works in a renowned café bar in the popular Northern Quarter.

Building Maintenance Service

The building maintenance team have been implementing the use of Computer Aided Facilities Management (CAFM) and developing planned maintenance programmes to decrease reactive maintenance. Wherever the opportunity arose to replace and renew with more efficient fixtures, e.g. L.E.D lighting was installed. Over 80% of the College estate is grade A-C (HEFCE building condition key).

Health and Safety Service

2012/13 has seen the further development of the Health and Safety management plan including a full review of the Health and Safety Policy. A significant decrease in the number of accidents has been achieved throughout the organisation. This is due to the improved health and safety management systems that have been implemented. This includes H&S training and awareness which has been achieved by introducing a mandatory health and safety e-learning programme.

Sustainability and Wellbeing

The sustainability unit has developed projects and initiatives across all location during 2012/13. These projects have enabled:

- Engagement with the learner, local community and business
- Improved accessibility to the environment encouraging positive behaviour change

Key projects include:

- Improved lighting and woodland seating at our Fielden Campus, West Didsbury.
- Construction of planters and greenhouse at our North Manchester 6th Form Centre, Harpurhey
- Construction of a geodome and gazebo at our Wythenshawe Campus.
- Home grown produce from the College gardens

We are proud to be nominated as a 2013 Finalist in the Green Gown Awards in respect of the refurbishments of our North Manchester 6th Form Centre, a Grade 2 listed building.

Energy Management Service

During 2013, the department introduced water saving devices in a number of toilets and washroom areas and also undertook the testing of solar reflected film on windows to improve comfort standards. Energy management initiatives continue to be appraised and implemented where a robust business case is shown.

Investing in our Future

After a long period of focus on buildings, IT infrastructure has taken centre stage in the drive to move the College forward. £1.8 million pounds has been invested in the wiring and machinery that connects the College together and connects all of our users to the Internet. We have made a ten-fold increase in both our Wide Area Network (the WAN, meaning the internal network that connects all of our campuses), and our external network capacity. Our College network has become a springboard for the deployment of a wide range of education tools and services, allowing students and teachers to expand their use of IT and the wide range of educational tools and resources available out on the world-wide web.

Farewell to old firewalls

Whilst refitting the WAN we had to finally replace all of our old firewalls. But with a 1000% increase in network traffic about to hit them, we had to step up to an entirely new level of firewall security.

> **Our core aim remains to support staff and students in their educational journey with high quality reliable services**

Throughout the last year we continued to serve our local communities and deliver a high quality service at a local and national level.

business/sector highlights & risk review

MOL

During the 2012/13 year MOL provided professional learning and development programmes for 5083 learners in human resources, management and leadership, facilities management, public relations, property, and construction materials. These programmes were available to learners throughout the UK through accessing the provision at one of our 20 nationwide delivery centres or via supported distance learning.

Outperforming others

MOL learners performed at very high levels throughout the year in each of our programmes, in particular those sitting the CIPD's nationally assessed examinations for their postgraduate qualifications. Those sitting the Professional Development Scheme exams out-performed the average of other CIPD Centres' learners by 22 %, achieving a pass rate of just over 70 %. Those completing the CIPD Advanced qualification exams achieved a pass rate of 77 % in Leading, Managing and Developing People (5 % higher than the average of other CIPD Centres) and 79 % in Human Resource Management in Context (15 % higher). Added to this success is the fact that a disproportionately high number of MOL learners also achieved Distinctions and Merits in these results. Learner successes were both recognised and celebrated in the annual MOL graduation ceremony.

New developments

During 2012/13 MOL developed a new Foundation Award in Public Relations programme and made significant updates and revisions to others. This resulted in the launch of a new Intermediate (Level 5) Certificate in Human Resource Management, awarded by CIPD; a Masters in Strategic Human Resource Management and Development top-up programme, awarded by the University of Salford; and Construction Materials Awards, Certificates, and Diplomas (awarded by City & Guilds).


Business/Sector
Highlights
and Risk Review

Throughout the year MOL has responded to the needs of employers and businesses alike and designed and delivered a number of bespoke training programmes for the Association of Greater Manchester Authorities AGMA contract. We have also tailored development of our CIPD programmes for delivery to corporate groups within the HR departments of a number of corporate organisations, both in the UK and overseas. During the year MOL has also responded to learner feedback and the trends in learning and development methodologies and technologies and our newly revised CIPD Foundation and Intermediate qualifications are now fully deployed from our Virtual Learning Environment via a tablet pc. This innovation has proved very successful with both our learners and practitioner-tutors, and has been extremely well received.

MOL is a key partner of the professional and awarding bodies with which it works. MOL were the sponsor of the prestigious Michael Kelly Student Awards at the CIPD People Management Awards in London in October 2012, and also presented awards at the EDA Annual Awards Dinner in London in March 2013. We also exhibited at the CIPD's Annual Conference and Exhibition in Manchester and their Human Resource Development conference in London, delivering a range of free workshop sessions at these events.

Key risks

The key risks relating to MOL concern growing contract value in a climate tending towards recession and reliance on key contracts. The organisation has a business development strategy to address future strategic growth.

Offender Learning

2012/13 saw many achievements and successes in our work with the Justice Sector, confirming our position as the number one provider for Offender Learning. We continue to work in a range of custodial settings with adults and young people and with probation service users in the community.

In 2012 we were awarded contracts in six Offender Learning and Skills Service (OLASS) adult regions to the annual value of c£60m. The College commenced delivery of OLASS 4 on the 1st August in the North West, North East, Yorkshire and The Humber, and from the 1st November in Kent and Sussex.

We have continued to ensure that our learners are supported to achieve their full potential. Additional Learning Support is being effectively used to target resources, meet identified needs and enable progression. Offender Learning has built an Inclusive Learning model and infrastructure with the recruitment of a Director of Learning Support, Learning Support Managers and Inclusion Champions who all play a vital role in raising awareness and supporting offenders into learning.

Employer Partnerships

We have developed our provision to focus on enhancing work skills and to improve employment opportunities for offenders, which contributes to reducing reoffending. We have established Employer Focus Groups to influence the curriculum, facilitate Apprenticeships and provide job opportunities. To further engage employers we have recruited Employment Brokers in each area to support employers when working with offenders and to work closely with delivery teams to support skills development and inform progression.

Strong partnerships have been developed on a national and local level to support clear progression opportunities in the community and real employment outcomes that can be accessed prior to leaving custody and on release.

Improving Learning Standards

Standards of teaching, learning and assessment continue to improve with some 79% of observations graded 'Good' or 'Better'.

The College has continued to improve the quality of provision within the Young People's estate and the significant developments in 2012/13 were recognised when the team at HMYOI Hindley received an award for their high performing provision and commitment to young people.

Significant improvements have been made across the adult estate and the North East was recognised as OLASS Region of the Year.

In order to inform practice the College took part in the BIS feasibility study "Intensive English and maths pilot in prisons". The pilot took place across six prisons in the North West with findings incorporated into the English and maths strategy for Offender Learning.

Key achievements in 2012/13 include:

- Upward trend in our Offender Learning inspection grades. In 2012/13 67% of The Manchester College's Ofsted inspections were 'Good' compared to a national benchmark of 33%
- Retention rates for service users at 95% in 2012/13
- Achievement rates for service users at 85% in 12/13
- Learners made good progress within the Adult estate with an overall success rate of 85%.
- Achieved Matrix standard for our provision in custody in 2013
- An Ofsted good practice report, recognised the partnership between The Manchester College and Greater Manchester Probation Trust to develop programmes that improve the personal and social skills of offenders with complex barriers to learning

Key risks

The key risks for Offender Learning include:

- Policy and Funding risk with relation to Government changes e.g. payments on outcome
- Impact of regional business won and lost
- Reputation risk in the secure environment resulting from Ofsted reporting

The College has strong connections with HMP, NOMS and Ministers and works closely with individual management teams

> **Our goal is to make sure offenders understand there are viable alternatives to criminality**

Apprenticeships

We will continue to focus on the needs of our region by focusing on consolidating our links with employers and ensuring that we support local residents in gaining the necessary skills to find employment.

Apprenticeships

The Manchester College delivers Apprenticeships across all sectors and engages learners of all ages. Throughout 2012/13 the College has continued to develop and introduce new frameworks to meet the needs of the Greater Manchester economy and the new emerging growth sectors for the region.

Through our relationships with local employers we are able to understand what their industry business needs are and lead the way in developing solutions that meet these requirements through partnership work around specific curriculum developments.

As a provider we have endeavoured this year to prepare all the candidates we put forward for Apprenticeship interview by ensuring that they have the right skills and competencies required by the employer. Going forward we intend to develop this aspect of our activity to further embed this learner preparation and build long term mutually beneficial relationships that are beneficial to all parties.

We have invested in quality improvements in 2012/13 and seen our Apprenticeship success rates improve significantly since last year, with over 1400 Apprentices enrolled at the College.

Highlights

- Worked in partnership with the First Bus group delivering National bespoke Apprenticeship provision to over 60 learners.
- Worked in partnership with Scottish Power to deliver Apprenticeship provision to new power industry entrants and provided tailored up-skilling solutions to the existing workforce.
- Provided Apprenticeship solutions to the construction trade through our partnership activity with the Greater Manchester Chamber of Commerce and North West Housing Trust.
- Developed a close working partnership with the BBC for the delivery of personalised Creative and Digital Apprenticeships.
- Worked in Partnership with Aldi, Farm Foods, and the National Skills Academy for Retail to offer bespoke retail Apprenticeships to over 80 learners in Greater Manchester.
- Broker to deliver 400 security and cleaning apprentices for brands such as House of Fraser, Britvic and CBRE.
- Sole provider of personalised Apprenticeship and IRTEC training for the Top Truck Commercial vehicle consortium.
- Delivered over 80 Apprenticeships to the Wrightington, Wigan and Leigh NHS Trust as part of our ongoing collaboration around Health Care skills development.
- This year we have conducted a Strategic Review of our provision and aligned our growth strategy around Apprenticeships to meet the needs of the Greater Manchester region and address the Government aspiration to grow Apprenticeships significantly.

Key risks

The key risks for the Apprenticeship unit include:

- Capacity of the College to grow the Apprenticeship offer required by the Greater Manchester region
- Government plans to consider funding changes with a focus on employers - the Richards Review

The College has created an autonomous Apprenticeship unit which focuses on delivery and meeting the expectations of its varied customers

Higher Education

> A leading provider of flexible, affordable, career relevant, university education.

For the academic year of 2012/13 the Higher Education portfolio consisted of:

- 8 level 4/5 programmes (Cert Ed, HNC/D)
- 31 Foundation Degrees (FDs)
- 8 Honours Programmes
- 2 Postgraduate Programmes
- 1393 students enrolled on full time programmes
- 192 students enrolled on part-time programmes

18 new programmes are being developed in 13-14 with nine HNC/D's , five Foundation Degrees and two Honours Degrees validated for September 2014 entry.

The College established this provision by working in close partnership with HEIs, local and national employers and other stakeholders, ensuring that provision meets local and national priorities. In 2012, 42 programmes were rewritten to ensure that content was up-to-date and ensured graduates could make an immediate contribution to employment on graduation.

There are a number of niche areas of Higher Education Provision with 'Arden School of Theatre' and the Media Make-up provision being both highly regarded and very attractive to students. The Digital Media provision has had a number of students that have won awards at National Competitions and seeks to maintain innovative curriculum delivery in the Television, Photography and Animation specialisms within this industry.

Continuous improvement

The Higher Education provision has shown continuous improvement across all academic years for achievement and completion. There has been a 3 % increase in achievement over the last three years to 91 %. Higher Education at The Manchester College has also seen a three year continuous upward trend in Success rates to 71 % (+11 %) and retention from 67 % to 78 % (+11 %)

The Manchester College continues to be one of the leading providers of high quality Higher Education within an FEC environment. In 2012 the QAA published the IQER Summative Review Report that had reviewed the Higher Education provision during the previous two years. The report highlighted significant evidence in support of the high quality of the Higher Education provision at the College concluding with two desirable recommendations and commending the College on 12 areas of good practice.

Delivering an excellent student experience is a key priority for the College and the results of the National Student Survey (12-13) show that 86 % (+13 % on previous year) of our Higher Education students are highly satisfied with their overall experience at The Manchester College. This outstanding result is 2 % above the average for Further Education Colleges (FEC) benchmark and at 1 % above the sector-wide average for all Higher Education Institutions (HEIs).

As part of strategic direction of Higher Education, the College engaged in a partnership with the University of Salford. The Partnership gave The Manchester College 'Accredited Status' allowing the College delegated powers for the quality assurance of all Higher Education curriculum, validated by the University, in adherence with their academic regulations. This was testimony to the College's high quality of academic standards and quality of learning opportunities as had been recognised by QAA with 32 programmes recruiting students onto the newly validated provision in 2012/13.

Key risks

The key risks relating to Higher Education are:

- Continued growth in a competitive marketplace
- The College managing its offer to its customers after the shift from grant funded to personal loans
- The College's ability to deliver cost effective and high quality Higher Education as a distinctive offer

The College has appointed a new Vice Principal with responsibility for reviewing the Higher Education offer and the College continues to work closely with its accreditation partners.

The Manchester College – Youth and Adult

"A year of change and quality improvement"

During 2012/13 success rates improved overall. There is a particularly strong trend of improvement over a full year period in long course success rates, particularly for 16-18 year olds. The College's long course success rates now outstrip the national average. Enrolments onto full time adult courses were particularly strong especially on Access to HE and Higher Education courses. The NSS scores which measure student satisfaction on Higher Education programmes were above the benchmark for the sector. Whilst the headline figures are strong there are a number of areas now receiving dedicated attention: departmental structures and staff responsibility have been changed to ensure a more robust management of A-Levels and GCSE English and Maths; an Apprenticeship unit has been established to deliver a much higher volume of learners in Greater Manchester priority skills areas and manage timely success rates; and attention is being focused on improving value-added on Level 3 programmes. A new and well considered quality framework and quality plan were put in place. Quality Managers were deployed across the organisation to promote consistency in the standards of teaching and learning. During 2012/13 a number of strategies were implemented: a team of highly trained observers conducted weekly teaching and learning observations; a separate team of Ofsted trained coaches provide advice and support on how to deliver outstanding lessons; and teaching and learning steps now provide all staff with a useful forum to discuss good practice and share ideas. Robust arrangements are in place for monthly monitoring of individual departmental progress against the quality plan by the Principalship. The quality plan includes an assessment of progress made so far which has brought about the improved outcomes for our learners.

Key risks

The College faces the following risks:

- The continued erosion of absolute and per capita funding in both youth and adult markets
- Increasing pressure to deliver strong Ofsted performance with an impact on the College's reputation as a result
- The College needs to respond to competition and offer the qualifications appropriate to the population of the Greater Manchester region

The College has invested in the quality of its offer and has deliberately improved its penetration of the market by looking at creative marketing and engagement of its learners.

The College achieved an operating surplus of £4.4m excluding pension reserve. The general reserves figure on the balance sheet was £61.9m as at 31st July 2013. The Manchester College's total income was £158.7m

financial highlights

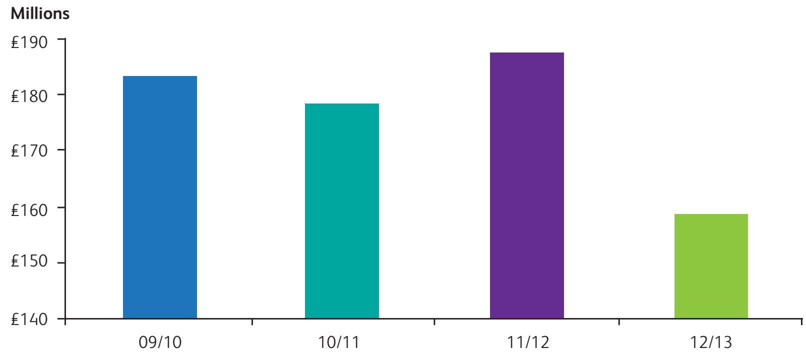
- The College achieved a financial health score of 'Good' as measured by the Skills Funding Agency
- The College continued its investment strategy in accommodation and IT/ equipment to the net value of £4m
- This investment resulted in an improved learning environment for our students

Financial Objectives

- to achieve an annual operating surplus
- to pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances
- to generate sufficient levels of income to support the asset base of the College
- to further improve the College's shorter term liquidity
- to fund continued capital investment
- to obtain a Skills Funding Agency financial rating of 'good' or better


Financial
Highlights

Total Income

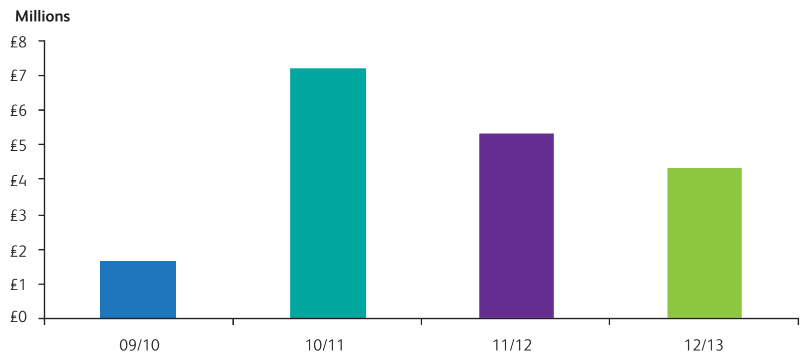


Total Income

09/10	£183,279,000
10/11	£178,195,000
11/12	£187,451,000
12/13	£158,713,000

The drop in income in 2012/13 was as a result of the reduction in revenues generated by OLASS contracts following a re-tender excercise during 2011/12 which took effect from 1 August 2012. The College lost two of the five regions.

Surplus

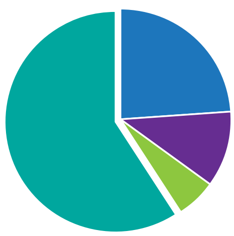


Surplus

09/10	£1,674,000
10/11	£7,165,000
11/12	£5,352,000
12/13	£4,365,000

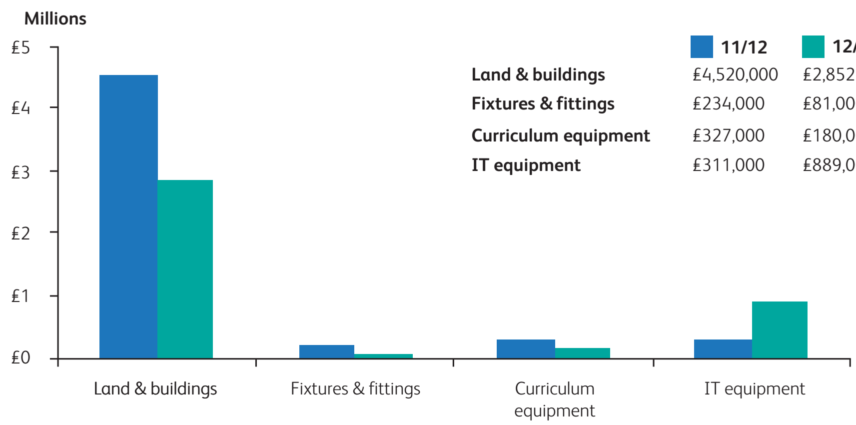
The surplus in 2012/13 is slightly lower than 2011/12 due to the loss of contribution from OLASS contracts for the two regions the college lost due to the re-tender exercise.

Staff Profile (FTEs)



Staff Profile (FTEs)	
Teaching	2,199
Teaching and other support staff	890
Admin and central sales	421
Premises	220
Total	**3,730**

Capital Expenditure



	11/12	**12/13**
Land & buildings	£4,520,000	£2,852,000
Fixtures & fittings	£234,000	£81,000
Curriculum equipment	£327,000	£180,000
IT equipment	£311,000	£889,000

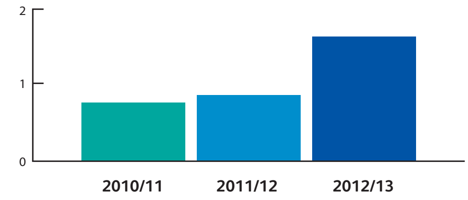
The College continued its investment in estates, spending a gross value of £5.0m and a net value of £4.0m during 2012/13, of which £1.3m related to major works at the Nicholls Campus.

Financial indicators

KPI	Adjusted current ratio
2012/13	1.36
2011/12	0.72
2010/11	0.64

The current ratio is a liquidity ratio that measures a college's ability to pay short-term obligations. The adjusted current ratio is a proportion of Current Assets (excludes restricted cash from disposal of fixed assets held for future re-investment and assets held for resale) to Current Liabilities.

Adjusted Current ratio

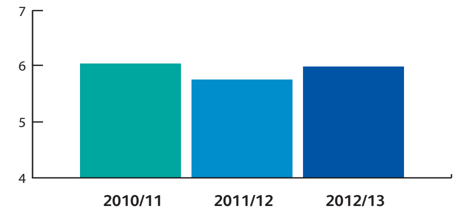


2012/13 ratio is higher because of the RBS loan drawdown which increased the current assets.

KPI	Performance ratio - Cash-based operating surplus/(deficit)as a %of income
2012/13	5.96%
2011/12	5.27%
2010/11	6.13%

The performance ratio is a measure of profitability in relation to turnover. The cash based operating surplus figure is calculated as operating surplus plus depreciation less associated capital grant releases, plus FRS17, minus pension finance income.

Performance ratio

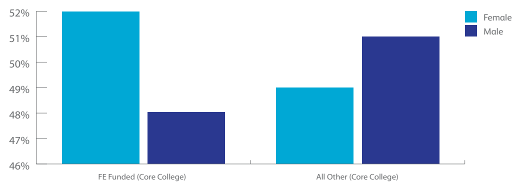


Profitability has improved slightly on 2011/12 and has averaged 5.79 % for the last 3 years.

KPI	Gearing ratio
2012/13	33.9%
2011/12	22.9%
2010/11	26.7%

The gearing ratio measures the College's dependence on borrowed money for funding its activities. The calculation is based on net debt, divided by the sum of net debt and net assets (excluding Pension liability).

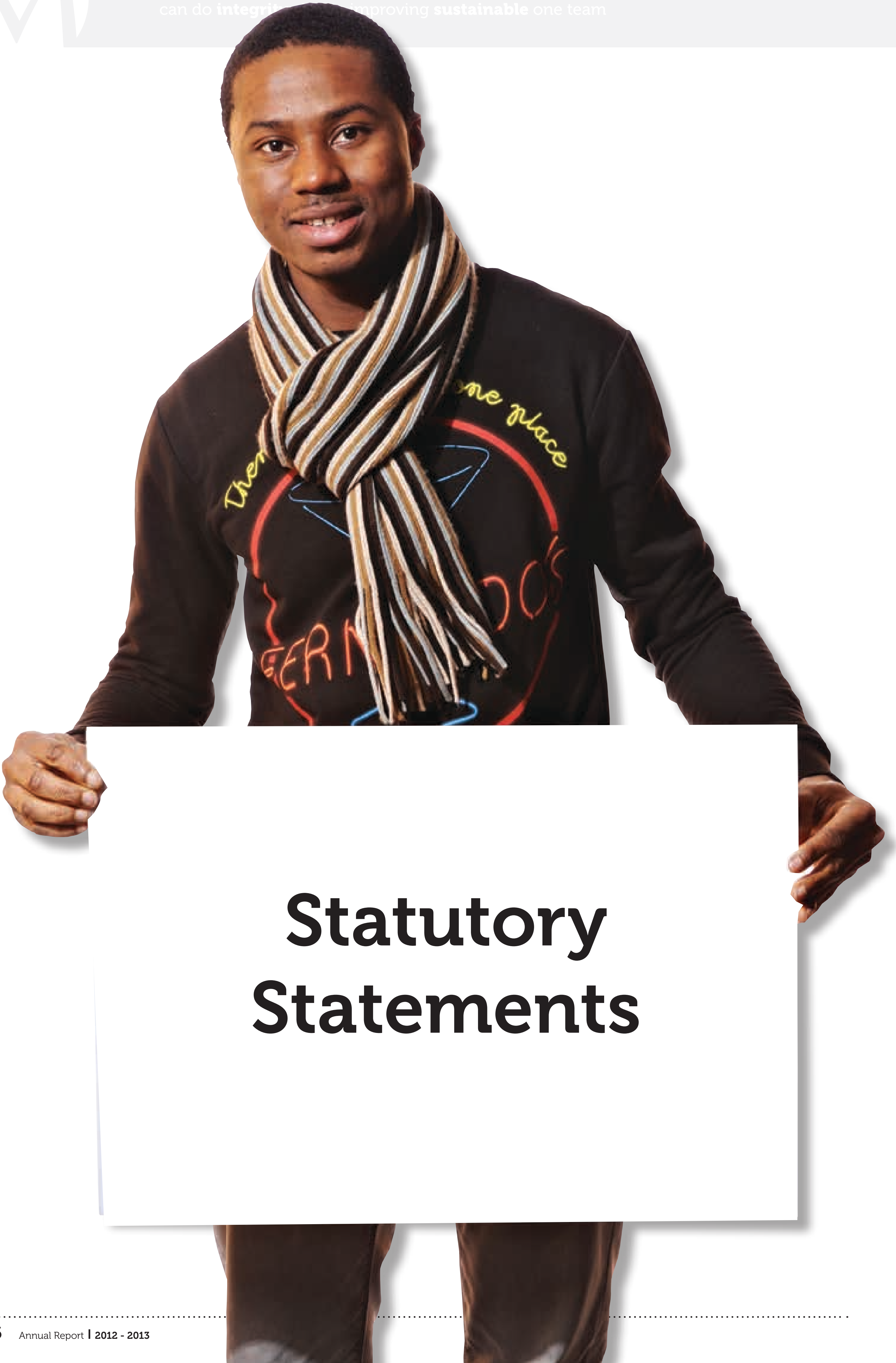
Gearing ratio



Gearing has increased in line with expectations. Net borrowings have increased due to RBS £22m loan drawn to finance the capital expansion programme.

FE Benchmark	Good Grade	Satisfactory Grade
Current Ratio	1.2 - 1.4	0.8 -1.0
Performance Ratio	5% - 6%	3% - 4%
Gearing Ratio	20% - 39%	40% - 59%

The Manchester College achieved the following assessment grades for financial health as per the Skills Funding Agency approach: 2012/13 'Good' and 2011/12 and 2010/11 'Satisfactory'.


Statutory
Statements

Equal Opportunites Statement

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non disabled employees.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College has achieved accreditation to the Committed to Equality (C2E) standard at the gold (highest) level. The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an on-going basis.

Disability Statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005.

a) The College has appointed Access Co-ordinator, who provides information, advice and arranges support where necessary for student with disabilities.

b) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students as well as a range of assistive technology available in learning environments.

c) The admissions policy for all students is described in the College Handbook. Appeals against a decision not to offer a place are dealt with under the complaints policy.

d) The College has made a significant investment in the availability of specialist staff to support students with learning difficulties and/or disabilities. There are a number of student support assistants who provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

e) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

f) Information Advice and Welfare Services are described in the College Handbook, which is issued to students together with the Complaints and Disciplinary Procedures leaflet.

Disclosure of Information to Auditors

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

Approved by order of the members of the Corporation on 12th December 2013 and signed on its behalf

…………………………………………………………………… Signature

Councillor Sue Murphy
Chair

Professional Advisers:

Financial statement and regularity auditors:
Grant Thornton UK LLP,
4 Hardman Square,
Spinningfields,
Manchester M3 3EB

Internal auditors:
Baker Tilly,
Clifton House,
Bunnian Place,
Basingstoke,
Hampshire RG21 7JE

Bankers:
National Westminster Bank,
Manchester City Centre Branch,
11 Spring Gardens,
Manchester
M60 2BD

Solicitors:
Mills & Reeve LLP,
Fountain Court,
68 Fountain Street,
Manchester M2 2FB

DWF LLP,
1 Scott Place,
2 Hardman Street,
Manchester M3 3AA

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College/ Board has adopted and complied with the Foundation Code. We do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2013. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in April 2012.

The Board of Governors

The composition of the Board of Governors is set out on page 41. It is the Board of Governors' responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board of Governors is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board of Governors meets each term.

The Board of Governors conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board of Governors. These committees are Finance and General Purposes, Personnel, Governance and Search, Audit, and Curriculum/ Quality.

Full minutes of all meetings, except those deemed to be confidential by the Board of Governors, are available from the Clerk to the Governing Body at:

The Manchester College
Whitworth House
Ashton Old Road
Openshaw
Manchester M11 2WH

The Clerk to the Board of Governors maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Board of Governors, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Board of Governors as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to The Board of Governors meetings. Briefings are also provided on an ad hoc basis.

The Board of Governors has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board of Governors considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair of the Board of Governors and Chief Executive Officer of the College are separate.

Members

The Governors serving on the College Board during 2012/13 and up to the date of signature of this report are set out below:

Name	Date of Appointment	Term of Office	Date of Resignation	Status of appointment	Committees served	Corporation meeting attendance
Mr D Cain	15.02.11	4 Years		External Member	Governance & Search, Audit, Personnel, Remuneration	10/11
Mr N F Collins	10.09.12	4 Years		External Member	Audit, Curriculum / Quality	10/11
Mr P Fell	26.01.10	4 Years		External Member	Personnel, Curriculum/ Quality, Governance & Search, Finance & General Purposes	11/11
Mr J Hacking	10.09.12	4 Years		External Member	Curriculum / Quality, Finance & General Purposes	6/11
Miss S H Navarro	25.09.12	2 Years		Student Member	Curriculum/Quality	7/11
Ms F S King	14.12.10	4 years		External Member	Personnel	8/11
Mr B J Lynch	14.12.10	4 Years		External Member	Personnel	9/11
Ms K Macdonald	19.03.10	4 Years		External Member	Curriculum / Quality, Finance & General Purposes	7/11
Mr A Mills	27.09.11	4 Years		External Member	Curriculum / Quality, Finance & General Purposes	6/11
Mr K Moghal	15.02.12	4 Years		External Member	Audit, Curriculum / Quality	8/11
Cllr S Murphy	15.02.12	4 Years		External Member	Finance & General Purposes, Curriculum / Quality, Governance & Search, Remuneration	11/11
Mr E Sheehy	18.01.13	4 Years		Staff Member	Personnel, Curriculum/Quality	8/10
Mr A Simpkin	26.01.10	4 Years		External Member	Audit, Curriculum/Quality, Remuneration	7/11
Mr S Wilson	29.10.13	2 Years		Student Member	Curriculum/Quality	1/1
Mr C Thomas	11.12.12	2 Years	05.02.13	Student Member	Curriculum/Quality	2/3
Mr P Tavernor	N/A		14.10.12	Chief Executive Officer	Finance & General Purposes, Curriculum / Quality, Governance & Search, Remuneration, Personnel	2/2
Mr J Carney	N/A			Principal	Finance & General Purposes, Curriculum / Quality, Governance & Search, Remuneration, Personnel	10/10
Mr J Thornhill	N/A			Chief Executive Officer	Finance & General Purposes, Curriculum / Quality, Governance & Search, Remuneration, Personnel	9/9
Ms C Carroll	18.01.13	4 years		Staff Member	Finance & General Purposes	6/7

Mr F Hardman serves as the Clerk to the Board of Governors to retire on 30.09.13.
The new company secretary Jennifer Foote started on 01.09.13

Appointment to the Board of Governors

Any new appointments to the Board of Governors are a matter for the consideration of the Board of Governors as a whole. The Board of Governors has a Search & Governance Committee comprising Mr. D Cain, Mr P Fell, Cllr S Murphy and Mr J Thornhill, and in attendance Clerk to the Board of Governors, which is responsible for the selection and nomination of any new member for the Board of Governors consideration. The Committee is also responsible for Governance matters. The Board of Governors is responsible for ensuring that appropriate training is provided as required.

Members of the Board of Governors are appointed for terms of office not exceeding four years.

Internal Control

Scope of Responsibility

The Board of Governors is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board of Governors has delegated the day-to-day responsibility to the Chief Executive Officer, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the funding bodies. He is also responsible for reporting to the Board of Governors any material weaknesses or breakdowns in internal control.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2013 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Board of Governors has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Governors is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2013 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Audit Committee and the Board of Governors.

The Risk and Control Framework

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

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

A senior manager, acting as the Risk Manager, compiles the College's Risk Register, and oversees the development and delivery of an Action Plan to manage identified risks. The Risk Register and Action Plan are reviewed by the Risk Management Group which meets regularly and consists of the senior managers responsible for the identified areas of risk. The work of this group is reviewed by the Deputy Executive Officer/Chief Finance Officer and reported periodically to the College's Audit Committee and Governing Body.

The College has an internal audit service, which operates in accordance with the requirements of the Joint Audit Code of Practice. The work of the internal audit service is informed by the analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of Governors on the recommendation of the Audit Committee. A minimum annually, the Head of Internal Audit (HIA) provides the Board of Governors with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of Effectiveness

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

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

The CEO has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the department and reinforced by risk awareness training.

The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of Governors agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Going Concern

The College's activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The College has in place a two year financial plan and has prepared detailed cash flow forecasts which have been sensitised to take account of a number of reasonably possible scenarios and show the College has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to be appropriate to adopt the going concern basis in preparing the financial statements.

Approval

Approved by order of the members of the Corporation on 12th December 2013 and signed

on its behalf by:

………………………………………………………………… Signature ……………… Date

Councillor Sue Murphy
Chair

………………………………………………………………… Signature ……………… Date

John Thornhill
Chief Executive Officer

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation are required to present audited financial statements for each financial year. Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency / EFA and the Corporation of the College, the Corporation, through its Chief Executive Officer, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction for 2012-13 financial statements issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency / EFA are used only in accordance with the Financial Memorandum with the Skills Funding Agency / EFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency / EFA are not put at risk.

Approved by order of the members of the Corporation on 12th December 2013 and signed on its behalf by:

………………………………………………………………………… Signature ……………… Date

Councillor Sue Murphy
Chair

Independent Auditor's Report to the Corporation of The Manchester College

We have audited the financial statements ("the financial statements") of The Manchester College for the year ended 31 July 2013 which comprise of the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, the statement of historical cost surpluses and deficits and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

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

Respective Responsibilities of the members of the Corporation of the Manchester College and auditor

As described in the Statement of Responsibilities of the members of the Corporation set out on page 44, the college's Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

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

In our opinion:

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

……………………………………………..

Date:

GRANT THORNTON UK LLP

STATUTORY AUDITOR

CHARTERED ACCOUNTANTS

London

Independent Auditor's Report on Regularity to the Corporation of The Manchester College ('The Corporation') and the Chief Executive of Skills Funding

In accordance with the terms of our engagement letter dated 6 November 2013 and further to the requirements of the Chief Executive of Skills Funding, we have performed procedures to obtain assurance about whether, in all material respects, the expenditure disbursed and income received of The Manchester College ('the College') for the year ended 31 July 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of the Members of the Corporation of The Manchester College and Auditors

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

Our responsibilities for this work are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice as amended by the Joint Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council. We report to you whether, in our opinion, in all material respects, expenditure and income for the year ended 31 July 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

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

Opinion

In our opinion, in all material respects, the expenditure and income for the year ended 31 July 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

……………………………………………..

Date:

GRANT THORNTON UK LLP

STATUTORY AUDITOR

CHARTERED ACCOUNTANTS

London


Financial Statements

INCOME AND EXPENDITURE ACCOUNT

		2013 £000	2012 £000
Income	**Notes**		
Funding body grants	2	136,078	165,015
Tuition fees and education contracts	3	13,819	13,258
Other income	4	8,663	8,917
Endowment and investment income	5	153	261
Total income		**158,713**	**187,451**
Expenditure			
Staff costs	6	111,557	131,720
Exceptional staff restructuring costs	6	1,134	1,068
Other operating expenses	8	35,813	43,903
Depreciation	11	4,362	5,017
Interest and other finance costs	9	1,482	391
Total expenditure		**154,348**	**182,099**
Surplus on continuing operations after depreciation of tangible fixed assets and before tax		4,365	5,352
Taxation	10	-	-
Surplus for the year transferred to general reserves	**20**	**4,365**	**5,352**

The income and expenditure account is in respect of continuing activities. The accompanying notes form part of these financial statements.

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

	Notes	2013 £000	2012 £000
Surplus on continuing operations before taxation		4,365	5,352
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	19	239	275
Historical cost surplus for the year before and after taxation		**4,604**	**5,627**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2013 £000	2012 £000
Surplus on continuing operations after depreciation of assets at valuation and tax		4,365	5,352
Actuarial gain / (loss) in respect of pension scheme	26	17,137	(11,332)
Total recognised gains relating to the period		21,502	(5,980)

Reconciliation

	2013	2012
Opening reserves	37,665	43,645
Total recognised gain/(loss) for the year	21,502	(5,980)
Closing reserves	**59,167**	**37,665**

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 31 JULY

	Notes	2013 £000	2012 £000
Fixed assets			
Tangible assets	11	118,167	119,159
Investments	12	-	-
Total fixed assets		**118,167**	**119,159**
Current assets			
Stock		30	29
Debtors	13	4,008	3,619
Cash at bank in hand	25	29,921	18,488
		33,959	22,136
Less creditors: amounts falling due within one year	14	(24,982)	(30,647)
Net current liabilities		8,977	(8,511)
Total assets less current liabilities		**127,144**	**110,648**
Less creditors: amounts falling due after more than one year	15	(30,420)	(19,660)
Less provisions for liabilities and charges	17	(2,134)	(2,107)
Net assets excluding pension liability		**94,590**	**88,881**
Net pension liability	26	(8,887)	(24,005)
NET ASSETS INCLUDING PENSION LIABILITY		**85,703**	**64,876**
Deferred capital grants	18	**26,537**	**27,211**
Reserves			
Income and expenditure account excluding pension reserve	20	61,904	55,282
Pension reserve	26	(8,887)	(24,005)
Income and expenditure account including pension reserve	20	53,017	31,277
Revaluation reserve	19	6,149	6,388
Total reserves		**59,167**	**37,665**
TOTAL FUNDS		**85,703**	**64,876**

The financial statements were approved by the Board of Governors on 12th December 2013 and were signed on its behalf on that date by:-

Cllr S Murphy
Chair

Mr J Thornhill
Chief Executive Officer

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

	Notes	2013 £000	2012 £000
Cash inflow from operating activities	**21**	3,379	11,401
Returns on investments and servicing of finance	**22**	(623)	(239)
Capital expenditure and financial investment	**23**	(3,058)	(5,721)
Financing	**24**	11,735	(2,014)
Increase in cash in the year		**11,433**	**3,427**
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year		11,433	3,427
Repayment of loans		1,265	11,014
Cash inflow from new secured loan		(13,000)	(9,000)
Movement in net debt in year		(302)	5,441
Net debt at 1 August		(1,872)	(7,313)
Net debt at 31 July	**25**	**(2,174)**	**(1,872)**

The accompanying notes form part of these financial statements.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. The financial statements are not consolidated.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: *Accounting for Further and Higher Education 2007* (the SORP), the Accounts Direction for 2012-13 financial statements and in accordance with applicable Accounting Standards.

Basis of accounting

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

Going Concern

The College's activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The College has in place a two year financial plan and has prepared detailed cash flow forecasts which have been sensitised to take account of a number of reasonably possible scenarios and show the College has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to be appropriate to adopt the going concern basis in preparing the financial statements.

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Joint venture (Manchester Education & Training Limited) and associated undertaking (One Central Park Limited). The College's investments in these organisations have been included in the College's accounts at their initial cost in accordance with Financial Reporting Standard (FRS) 9- Associates and Joint Ventures.

Recognition of income

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

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

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

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

Financial liabilities

The financial liabilities comprise bank loans and overdrafts and trade creditors. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the College becomes a party to the contractual provisions of the instruments.

Post-retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Greater Manchester Pension Fund (GMPF). These are defined benefit schemes which are externally funded and contracted out of the State Earning Related Pension Scheme (SERPS).

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 26, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Enhanced pensions

The actual cost of enhanced on-going pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority along with land and buildings acquired before 1 September 1997 are held on the balance sheet at the last formal revaluation which took place on 1 September 1997. The valuation determined the useful economic life of these assets to be less than those for new build which is 50 years. This valuation was on the basis of depreciated replacement cost.

Accordingly under the transitional rules of FRS15, these values become the book values as at 31 July 2000 when the College implemented FRS15 for the first time. Land and buildings acquired since 1 September 1997 are included in the balance sheet at historical cost. These values are retained subject to the requirement to test assets for impairment if events or changes in circumstances indicate that the carrying value of the fixed asset may not be recoverable in accordance with FRS 11.

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years.

However refurbishment/additions to existing buildings and leasehold improvements are depreciated over their remaining useful lives or lease lives whichever is the lesser.

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

Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the costs, until such time when the asset comes into use. Finance costs beyond this date are charged directly to the income and expenditure account.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Equipment

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the year of acquisition. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation. All other equipment is capitalised at cost.

Equipment is depreciated over its useful economic life on a straight line basis at the following rates:

Fixtures and fittings	6.6 years
Electronic equipment	4 years
Computer software	3 years
Other plant & equipment	6.6 years
Motor vehicles	4 years

All above categories are classified as Tangible Fixed Assets Equipment.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Stocks

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

Maintenance of premises

The cost of corrective routine maintenance is charged to the Income and Expenditure account in the period it is incurred.

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

The College is exempt from levying VAT on most of the services it provides to learners. For this reason, the College is generally unable to recover input VAT it suffers on goods and services purchased. Non – pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

Liquid resources

Liquid resources represent sums on short-term deposits with recognised banks and building societies.

Provisions

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to learners are excluded from the income and expenditure account and are shown separately in Note 31.

2. FUNDING BODY GRANTS

	2013 £000	2012 £000
SFA recurrent grant	26,355	27,366
EFA recurrent grant	34,126	36,048
Recurrent grant – HEFCE	3,206	5,198
SFA non recurrent grant	57,781	77,447
EFA non recurrent grant	7,614	7,815
Releases of deferred capital grants (note 18)	948	872
ESF Co-financing	45	1,522
Education contracts	767	611
Higher Education learner support	64	69
Other funds	2,536	6,404
Employer responsive	2,636	1,663
Total	**136,078**	**165,015**

3. TUITION FEES AND EDUCATION CONTRACTS

	2013 £000	2012 £000
UK higher education learners	4,583	2,232
Non-EU learners	404	910
UK further education learners	7,220	7,904
HE franchised	58	171
Education contracts	1,554	2,041
Total	**13,819**	**13,258**

4. OTHER INCOME

	2013 £000	2012 £000
Residences, catering and conferences	1,636	1,606
Other income-generating activities*	1,511	1,798
Other income**	5,090	5,039
Releases from deferred capital grant (note 18)	426	474
Total	**8,663**	**8,917**

* This primarily relates to open learning activity and to projects undertaken.
** This includes rental income£627 (2011/12£602), examination fee income £357 (2011/12 £839), nursery income £1,022 (2011/12 £825) and SFA windfall £833 (2011/12 £nil).

5. ENDOWMENT AND INVESTMENT INCOME

	2013 £000	2012 £000
Interest receivable	153	112
Pension finance income (note 26)	-	149
	153	**261**

6. STAFF COSTS

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

	2013 Number	2012 Number
Teaching staff	2,199	3,475
Non-teaching staff	1,531	596
Total	**3,730**	**4,071**

Staff costs for the above persons:	2013 £000	2012 £000
Wages and salaries	92,580	110,020
Social security costs	6,942	8,206
Other pension costs (including FRS 17 adjustments)	11,027	12,324
Payroll sub total	**110,549**	**130,550**
Contracted out staffing services	1,008	1,170
Sub total	**111,557**	**131,720**
Exceptional restructuring costs	1,134	1,068
Total Staff Costs	**112,691**	**132,788**

Staff costs	2013 £000	2012 £000
Teaching departments-teaching staff	73,906	91,987
Teaching support services	18,405	22,039
Other support services	1,125	847
Administration and central services	9,600	9,106
General Education	1,185	1,085
Premises	3,654	3,236
Catering and residencies	1,279	1,220
Enhanced pension provision	82	109
FRS17 retirement benefit charge	1,313	921
	110,549	**130,550**
Contracted out staffing services	1,008	1,170
	111,557	131,720
Staff restructuring costs	1,134	1,068
Payroll total	**112,691**	**132,788**

	2013 £000	2012 £000
Employment costs for staff on permanent contracts	99,485	111,464
Employment costs for staff on short-term and temporary contracts	9,751	18,165
Contracted out lecturing services	1,008	1,170
FRS17 Retirement benefit charge	1,313	921
Staff restructuring costs	1,134	1,068
Total	**112,691**	**132,788**

The number of senior post-holders and the Chief Executive Officer, who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges, was:

	2013 Number senior post-holders	2012 Number senior post-holders
£60,001 to £70,000	1	-
£70,001 to £80,000	6	1
£80,001 to £90,000	1	2
£90,001 to £100,000	-	3
£100,001 to £110,000	1	2
£110,001 to £120,000	-	1
£120,001 to £130,000	1	1
£130,001 to £140,000	-	-
£140,001 to £150,000	-	-
£150,001 to £160,000	1	1
£160,001 to £170,000	-	-
£170,001 to £180,000	-	-
£180,001 to £190,000	-	1
£190,001 to £200,000	-	-
£200,001 to £210,000	-	-
£210,001 to £220,000	-	-
Total	**11**	**12**

7. SENIOR POST-HOLDERS EMOLUMENTS

Senior post-holders are defined as the Principal and holders of the other senior posts whom the Governing Body have selected for the purposes of the articles of government of the institution.

	2013 Number	2012 Number
The number of senior post-holders including the Principal was:	11	12

Senior post-holders' emoluments are made up as follows:	**£000**	**£000**
Salaries	1,007	1,188
Benefits in kind	4	4
Pension contributions	131	131
Total emoluments	**1,142**	**1,323**

The above emoluments include amounts payable to the Chief Executive Officer (who is also the highest paid senior post-holder)

	2013 £	2012 £
Salaries	150,244	187,000
Benefits in kind	-	-
Pension Contribution	21,600	-
Total	171,844	187,000

The pension contributions in respect of the CEO and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme, and are paid at the same rate as for other employees.

The members of the Corporation other than the CEO did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

8. OTHER OPERATING EXPENSES

	2013 £000	2012 £000
Teaching costs	13,609	15,896
Teaching support services	1,161	1,329
Other support services	1,358	1,338
Total teaching costs	**16,128**	**18,563**
Administration and central services*	5,895	8,018
General education expenditure	5,292	5,575
Refectory	464	721
Other income generating activities	1,080	1,423
Other expenses**	119	1,006
Total non-teaching costs	**12,850**	**16,743**
Premises	6,835	8,597
Total other operating expenses	**35,813**	**43,903**

*Admin and Central Services includes Studio School costs amounting to £43k (£14k in 2011/12)
** Other expenses include a reduction of £145k in the provision for Manchester Creative and Media Academy for services provided in kind (£820k in 2011/12 donation provision).

Other operating expenses include:

	2013 £000	2012 £000
Auditors' remuneration		
- Financial statements and regularity audit	36	36
- non – audit services	3	143
- internal audit	35	35
- other services provided by internal auditors	99	23
Loss on disposal of tangible fixed assets	-	6
Hire of plant and machinery– operating leases	708	770
Hire of other assets – operating leases	1,646	1,729

9. INTEREST PAYABLE

	2013 £000	2012 £000
On bank loans, overdrafts and other loans, repayable wholly or partly in more than 5 years	776	391
Pension finance costs (note 26)	706	-
Total	**1,482**	**391**

10. TAXATION

The members do not consider that the College's activities during the period are liable to Corporation tax.

11. TANGIBLE FIXED ASSETS

Cost or Valuation	**Land & Buildings Freehold £000**	**Land & Buildings Long Leasehold £000**	**Assets Under Construction £000**	**Equipment £000**	**Total £000**
At 1 August 2012	141,672	992	1,091	14,739	158,494
Additions	855	-	1,997	1,150	4,002
Transfers	1,661	-	(1,663)	2	-
Disposals	(994)	-	-	(1)	(995)
At 31 July 2013	**143,194**	**992**	**1,425**	**15,890**	**161,501**
Depreciation					
At 1 August 2012	27,425	60	-	11,850	39,335
Charge for the year	3,231	21	-	1,110	4,362
Eliminated in respect of disposal	(362)	-	-	(1)	(363)
At 31 July 2013	**30,294**	**81**	**-**	**12,959**	**43,334**
Net book value At 31 July 2013	**112,900**	**911**	**1,425**	**2,931**	**118,167**
Net book value At 31 July 2012	**114,247**	**932**	**1,091**	**2,889**	**119,159**

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly the book values at implementation have been retained. Land and buildings were valued in 1997 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

Land, buildings and equipment with a net book value of £21,355,439 have been partly financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the funding body to surrender the proceeds.

The College's bank loan is secured on a portion of the freehold land and buildings of the College.

Included within fixed asset cost is £ Nil (£363,000 in 2011-12) of capitalised finance costs. During the year £ Nil (£34,000 in 2012/13) has been capitalised.

Manchester Education and Training Limited

The College is in a joint venture with Manchester City Council, (Manchester Education and Training Limited), a company incorporated in England and Wales, the entity being a charitable company limited by guarantee.

The results of Manchester Education and Training Limited for the year ended 31st July 2013 are as follows:

	2013 **£' 000**	**2012** **£' 000**
Incoming resources	11,130	11,130
Net outgoing resources	(10,842)	(10,842)
Fixed assets	780,237	802,209
Current assets	212,850	201,721
Current liabilities	(12,930)	(12,930)
Net assets	980,157	991,000

The incoming resources are made up of the annual service charge to The Manchester College. The net outgoing resources are stated after charging depreciation amounting to £21,972.

One Central Park Limited

The College has an investment in One Central Park Limited, (a company incorporated in England and Wales) the College's 20% (£200) share of £1,000 ordinary share capital in One Central Park Limited. The objects of One Central Park Limited are to procure, own, maintain, manage and let the company's property, together with such associated activities and facilities (including, without limitation, facilities for the provision of education, research, and technology transfer).

The College is not aware of any contingent liabilities or capital commitments with regard to One Central Park.

The results of One Central Park for the year ended 31st July 2013 are as follows:

	2013 One Central Park £' 000	**2013 The Manchester College Share (at 20%)** £' 000	**2012 One Central Park** £' 000	**2012 The Manchester CollegeShare (at 20%)** £' 000
Turnover	1,443	289	1,459	292
Surplus before and after tax	21	4	(5)	(1)
Fixed assets	8,118	3,624	18,533	3,707
Current assets	808	162	838	168
Current liabilities	(120)	(24)	(442)	(88)
Creditors due after more than one year	(2,887)	(577)	(3,018)	(604)

The majority of the cost of One Central Park Limited's property was paid for by grant funding and the ownership of the development was transferred to One Central Park Limited upon completion at nil cost.

Hence all fixed assets were initially recorded at valuation. The One Central Park Limited's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value.

Land and buildings gifted from Manchester City Council are stated in the balance sheet for 2012-13 at valuation on the basis of depreciated replacement cost as permitted by FRS15. Obligations associated with the provision of grant funding have been transferred to One Central Park Limited.

13. DEBTORS

	2013 £000	2012 £000
Amounts falling due within one year:		
Trade debtors	1,217	1,278
Amounts owed by associate undertaking	13	13
Prepayments and accrued income	2,738	2,282
Other debtors	40	46
Total	**4,008**	**3,619**

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £000	2012 £000
Bank loans and overdrafts	2,015	1,015
Payments received in advance	8,524	11,343
Amounts owed to the SFA/EFA	892	456
Trade creditors	3,120	4,850
Amounts owed to joint venture undertaking	212	201
Other taxation and social security	3,230	3,926
Other creditors	287	894
Accruals	6,702	7,962
Total	**24,982**	**30,647**

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £000	2012 £000
Bank loans	30,080	19,345
Other	340	315
Total	**30,420**	**19,660**

16. BORROWINGS

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:-

	2013 £000	2012 £000
In one year or less	2,015	1,015
Between one and two years	4,030	2,439
Between two and five years	5,942	3,535
In five years or more	20,108	13,371
Total	**32,095**	**20,359**

Loans totalling £10.345m with Allied Irish Bank (AIB) are repayable between 2017/18 and 2024/25. Interest payments are variable and linked to the base rate. Loans totalling £21.750m with Royal Bank of Scotland (RBS) are repayable in 2035/36. Interest payments are due in three tranches for 12, 17 and 22 years at fixed rates averaging 6.31 per cent. Both loans are secured on a portion of the freehold land and buildings of the College.

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Enhanced pensions £'000
At 1 August 2012	2,107
Expenditure in the period	82
Transferred from income and expenditure account	(55)
At 31 July 2013	**2,134**

The enhanced pension provision relates to the cost of staff that have already left the College's employment. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:	2013	2012
Price inflation	3.74%	3.74%
Discount rate	2.50%	2.50%

18. DEFERRED CAPITAL GRANTS

	Funding body £000	Other Grants £000	Total £000
At 1 August 2012	21,552	5,659	27,211
Cash received	1,319	141	1,460
Debtors movement	(112)	-	(112)
Creditors movement	(648)	-	(648)
Released to income and expenditure account	(948)	(426)	(1,374)
At 31 July 2013	**21,163**	**5,374**	**26,537**

19. REVALUATION RESERVE

	2013 £000	2012 £000
At 1 August	6,388	6,663
Transfer from revaluation reserve:		
Depreciation on revalued assets	(239)	(275)
At 31 July	**6,149**	**6,388**

20. MOVEMENT ON GENERAL RESERVES

	2013 £000	2012 £000
Income and expenditure account reserve at 1 August	31,277	36,982
Surplus retained for the year	4,365	5,352
Transfer from revaluation reserve	239	275
Actuarial loss in respect of pension scheme	17,137	(11,332)
At 31 July	**53,017**	**31,277**
Balance represented by: Pension reserve	(8,887)	(24,005)
Income and expenditure account reserve excluding pension reserve	61,904	55,282
At 31 July	**53,017**	**31,277**

21. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Notes	2013 £000	2012 £000
Surplus on continuing operations after depreciation of assets at valuation		4,365	5,352
Depreciation	11	4,362	5,017
Deferred capital grants released to income	2 & 4	(1,374)	(1,346)
Profit on disposal of equipment		-	(6)
Increase in stocks		(1)	(5)
Interest payable	9	776	391
Pension cost less contributions payable		2,019	772
(Increase)/decrease in debtors		(501)	1,556
Decrease in creditors		(6,141)	(295)
Increase in provisions		27	77
Interest receivable	5	(153)	(112)
Net cash inflow from operating activities		**3,379**	**11,401**

22. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2013 £000	2012 £000
Interest received	153	112
Interest paid	(776)	(351)
Net cash outflow from returns on investments and servicing of finance	**(623)**	**(239)**

23. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2013 £000	2012 £000
Purchase of tangible fixed assets	(5,150)	(6,340)
Sale of tangible fixed assets	632	8
Deferred capital grants received	1,460	611
Net cash outflow from capital expenditure	**(3,058)**	**(5,721)**

24. FINANCING

	Note	2013 £000	2012 £000
New secured loans repayable by 2035		13,000	9,000
Repayment of amounts borrowed		(1,265)	(11,014)
Net cash inflow /(outflow) from financing		**11,735**	**(2,014)**

25. ANALYSIS OF CHANGES IN NET FUNDS/DEBT

	2012 £000	Cash flows £000	2013 £000
Cash in hand at bank	18,488	11,433	29,921
Debt due within 1 year	(1,015)	(1,000)	(2,015)
Debt due after 1 year	(19,345)	(10,735)	(30,080)
Total	**(1,872)**	**(302)**	**(2,174)**

26. PENSION AND SIMILAR OBLIGATIONS

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff and the Greater Manchester Pension Fund (GMPF) which is part of the Local Government Pension Fund (LGPS). Both are defined-benefit schemes.

Total pension cost for the year		**2013 £000**		**2012 £000**
Teachers' pension scheme: contributions paid		6,155		7,608
Local Government Pension Scheme:				
Contributions paid	3,559		3,795	
FRS 17 charge	2,019		921	
Charge to the Income & Expenditure Account (staff costs)		5,578		4,716
Total Pension Cost for Year		11,733		12,324

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

£1,231,118 (2012 £1,420,972) were payable to the scheme at 31st July 2013 and are included within creditors (other taxation and social security).

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic 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 teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as- you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

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

Valuation of the Teachers' Pension Scheme

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

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

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

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

Scheme Changes

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

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

The Proposed Final Agreement can be found at:

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

The pension costs paid to TPS in the year amounted to £6,155,000 (2012: £7,608,000)

FRS 17

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

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

Greater Manchester Pension Fund

The GMPF is a funded defined benefit scheme, with the assets held in separate funds administered by Tameside Metropolitan Borough Council. The total contribution made for the year ended 31 July 2013 was £5,153,000 of which employers contributions totalled £3,580,000 and employee's contributions totalled £1,573,000. The agreed contribution rates are 14.4% for employers. Employees range from 5.5% to 7.5% depending on salary.

FRS 17

Principal Actuarial Assumptions

	At 31 July 2013	At 31 July 2012
Inflation/Pension Increase Rate	2.5%	2.2%
Salary Increase Rate	3.5%	4.0%
Expected Return on Assets	5.1%	4.8%
Discount Rate	4.5%	4.4%

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

	At 31 July 2013	At 31 July 2012
Retiring Today		
Males	20.1	20.1
Females	22.9	22.9
Retiring in 20 years		
Males	22.5	22.5
Females	25.0	25.0

The assets in the scheme (of which the College's share is estimated to be £115,366,000 at 31 July 2013 and £93,393,000 at 31 July 2012) and the expected rates of return were:

	Long-term rate of return expected at 31 July 13	Value at 31 July 2013 £000	Long-term rate of return expected at 31 July 12	Value at 31 July 2012 £000
Equities	5.7%	83,063	5.6%	61,639
Bonds	3.5%	20,766	3.3%	19,613
Property	3.9%	6,922	3.7%	4,670
Cash	3.0%	4,615	2.8%	7,471
Total Market Value of Assets		**115,366**		**93,393**

The major categories of plan assets as a percentage of the total plan assets are as follows:

	At 31 July 2013	At 31 July 2012
Equities	72%	66%
Bonds	18%	21%
Property	6%	5%
Cash	4%	8%
	100%	100%

	2013 £'000	2012 £'000
Actual return on scheme assets	19,015	2,348

	Year Ended 31 July 2013 £000	Year Ended 31 July 2012 £000
The College's estimated asset share	115,366	93,393
Present value of scheme liabilities	(124,253)	(117,398)
Deficit in the scheme	(8,887)	(24,005)

Analysis of the amount charged to income and expenditure account

	2013 £000	2012 £000
Current service cost	4,633	4,537
Past service cost	13	118
Curtailment and settlements	247	82
Total operating charge	**4,893**	**4,737**

Analysis of pension finance cost

	2013 £000	2012 £000
Expected return on pension scheme assets	(4,553)	(5,543)
Interest on pension liabilities	5,259	5,394
Pension finance costs /(income)	**706**	**(149)**

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

	2013 £000	2012 £000
Actual return less expected return on pension scheme assets	14,442	(3,214)
Change in financial assumptions underlying and scheme liabilities	2,695	(8,118)
Total	**17,137**	**(11,332)**

Movement in deficit during year

	2013 £000	2012 £000
Deficit in scheme at 1 August	(24,005)	(11,901)
Movement in year :		
Current service charge	(4,633)	(4,537)
Employer contributions	3,580	3,816
Past service cost	(13)	(118)
Impact of settlement and curtailments	(247)	(82)
Net finance (cost)/gain	(706)	149
Actuarial gain / (loss)	17,137	(11,332)
Deficit in scheme at 31 July	**(8,887)**	**(24,005)**

Asset and Liability Reconciliation

	2013 £'000	2012 £'000
Reconciliation of Liabilities		
Liabilities at start of period	117,398	99,727
Service cost	4,633	4,537
Interest cost	5,259	5,394
Employee contributions	1,573	1,690
Actuarial (gain)/loss	(2,695)	8,118
Benefits paid	(2,175)	(2,268)
Past Service gains	13	118
Curtailments and settlements	247	82
	124,253	**117,398**

	2013 £'000	2012 £'000
Reconciliation of Assets		
Assets at start of period	93,393	87,826
Expected return on assets	4,553	5,543
Actuarial gain /(loss)	14,442	(3,214)
Employer contributions	3,580	3,816
Employee contributions	1,573	1,690
	(2,175)	(2,268)
	115,366	**93,393**

The cumulative actuarial gain and loss recognised in the statement of total recognised gains and losses at 31st July 2013 were a gain of £1,714,000 (2012: loss of £15,423,000)

The estimated value of employer contributions for the year ended 31 July 2014 is £3,451,000.

History of experience gains and losses

	2013	2012	2011	2010	2009
Difference between the expected and actual return on assets:					
Amount £'000	14,442	(3,214)	3,037	5,672	(5,245)
Experience gains and losses on Scheme liabilities:					
Amount £'000	-	(1,118)	2,453	-	-
Total amount recognised in STRGL:					
Amount £'000	17,137	(11,330)	8,154	3,641	(16,355)

The number of Offenders' Learning and Skills Service (OLASS) contracts operated by the College increased in 2009/10. As a result of this a number of employees transferred to the College under the Transfer of Undertakings Protection of Employment (TUPE) regulations. Pension benefits for around 200 of these employees under the Local Government Scheme (LGPS) have transferred to the College's own admission agreement to the Greater Manchester Pension Fund (GMPF). At 31 July 2013 the actuary has been unable to estimate the effect of the transfer on the balance sheet and revenue accounts as transfer data is not yet available, as such any past service cost relating to these employees is not recognised within the Financial Reporting Standard (FRS) 17 valuation. Any shortfall arising on transfer would be collected through future contributions to the scheme. The College continues to contribute to the GMPF at levels set by the actuary; as such no provision has been recognised within the financial statements.

27. CAPITAL COMMITMENTS

	2013 £000	2012 £000
Commitments contracted for at 31 July	1,861	3,131

28. FINANCIAL COMMITMENTS

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

	2013 £000	2012 £000
Land and buildings		
Expiring within one year	187	342
Expiring between two and five years inclusive	33	17
Expiring in over five years	1,159	1,370
Total	**1,379**	**1,729**
Other		
Expiring within 1 year	70	217
Expiring between two and five years inclusive	263	29
Expiring in over five years	230	524
Total	**563**	**770**

29. CONTINGENT LIABILITIES

There were no contingent liabilities for the financial year ended 31 July 2013 (2012: nil).

30. RELATED PARTY TRANSACTIONS

Due to the nature of the College's operations and the composition of the Governing Body (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 Governing Body may have an interest. All transactions involving organisations in which a member of the Governing Body may have an interest are conducted at arm's length and in accordance with the College's Financial Regulations and normal procurement procedures.

The following disclosures are required under Financial Reporting Standard 8.

Manchester Education and Training Limited ("MET")

MET is an undertaking by which its participants (The College and Manchester City Council 'MCC') expect to receive some common purpose or benefit. It is controlled jointly by both the above parties.

The College was charged services of £11,130 (2012: £11,130), in respect of rent, depreciation of £10,500, and a commercial mark-up £630.

At the year end, the College had £12,930 (2012: £12,930) outstanding from MET and MET was owed £211,783 (2012: £200,653) by the College.

The Manchester College Education Trust (Studio school) (MCET)

The College is the Lead Sponsor for The Manchester College Education Trust (Studio school), and is able to nominate Trustees, as such it is deemed to be a related party. The College has not recharged a cost of £20,384 in respect of equipment, petty cash, travel and salaries. At the year end, the College had nothing outstanding from MCET and MCET was owed nothing by the College. No other transactions were identified which should be disclosed under Financial Reporting Standard 8 Related Party Transactions.

31. LEARNER SUPPORT FUNDS

	2013 £000	2012 £000
Access Funds		
Funding body grants – hardship support	1,640	3,071
Funding body grants – childcare	3,096	1,041
Funding body grants – residential bursary	6	-
Interest earned	7	9
	4,749	4,121
Disbursed to learners	(4,512)	(4,097)
Staffing		-
Administration costs	(237)	(24)
Audit fees		-
Balance unspent as at 31 July, included in creditors	-	-

Funding body grants are available solely for learners. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Income and Expenditure Account. The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the College on the learners behalf.

Prior to approval of these financial statements, the College has received notification from the SFA, that it will receive an additional £1,685,000 of learner support funding relating to the 2012/13 financial year. Such notification is considered to be a non-adjusting post balance sheet event and therefore, no adjustment has been made to recognise this amount within these financial statements.

The Manchester College is committed to equality of opportunity, non-discriminatory practices and supporting individual learners.

This information is also available in a range of formats such as large print, on request.