



ANNUAL
REPORT &
FINANCIAL STATEMENTS

2013-2014





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ANNUAL REPORT & FINANCIAL STATEMENTS

Chair of the Board's Welcome

The past year has given me many reasons to feel proud as the Chair of the Board of Governors of The Manchester College.

The achievements of 2013/14 have been the culmination of weeks, months and years of hard work and reflect the dedication, commitment and drive of both our staff and learners.

I feel sure that I share the enormous pride of every member of staff and our learners, both past and present, that we are now rated Grade 2 "good" by Ofsted. This achievement embodies who we are now, and demonstrates what is possible if you have the desire and belief to succeed.

To reach this standard of excellence required the collaboration of all areas of The Manchester College Group, from IT and service staff to tutors and management. We shared a vision, and through force of will we have shown that we are the most comprehensive option for education in the Greater Manchester region.

We continue to innovate and refine our offering to meet the economic needs of our region and beyond, both now and in the future.

We have come a long way over the past 12 months, and looking through this annual report I can only see our progress continuing its upward trajectory.

Councillor Sue Murphy

Chair of the Board, The Manchester College



Chief Executive's Welcome

These are exciting times for The Manchester College. During the past 12 months we have seen our vision for the organisation start to become a reality in all our sectors.

Looking back over 2013/14 our focus has been on implementing the findings of our Strategic Review to realign our offering to the needs of the Greater Manchester region under the current economic climate. Change is sometimes painful, but to grow in such a competitive market and secure the future of the organisation, we have had to evolve and ensure we are equipped to deliver our vision. It is to the great credit of our staff and learners that our high levels of service have not been affected during this transitional period.

Our commitment to quality teaching was rightly recognised when Ofsted graded us "good". The result was evidence of our culture of continuous improvement and self-directed professional development with a clear focus on the individual learner. We should all feel proud of this achievement.

All our businesses have demonstrated the innovative approach for which we are becoming known. MOL continues to provide industry-leading professional training and is looking forward to another 30 successful years. Meanwhile, the Justice Sector is setting a new standard for innovation in offender learning and looks set to increase its presence in secure establishments across the country.

The number of learners taking an Apprenticeship with us has doubled during the past year and looks set to grow further as we expand the scope of our services to meet the needs of businesses in the Greater Manchester region and beyond.

The common denominator in all these successes is our people. The set of core values embedded in our organisation have formed the guiding principles for us going forward, allowing us to meet the challenges ahead and focus on our customers' needs.

We have achieved so much over the past year through our engagement with our communities, employers and learners, but our journey isn't over; we still have a long way to go to achieve our vision. The future is going to be full of challenges, but it is with excitement and anticipation that I look forward to leading the organisation towards the next stage of the journey.

John Thornhill

Chief Executive, The Manchester College





Operating and Financial Review

Our mission is to improve lives & economic success through learning & skills

OUR STRATEGY, VISION AND VALUES

Our Vision

The Manchester College is already a group of organisations within a whole. Over the last year we have started 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.

Our Visions

Further Education:	'The leading college for progression and employability'
Higher Education:	'A leading provider of flexible, affordable, career-relevant 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.

Operating and Financial Review

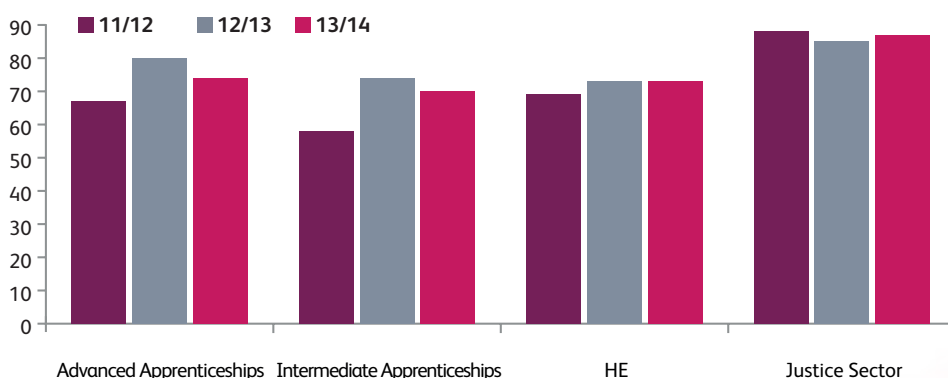
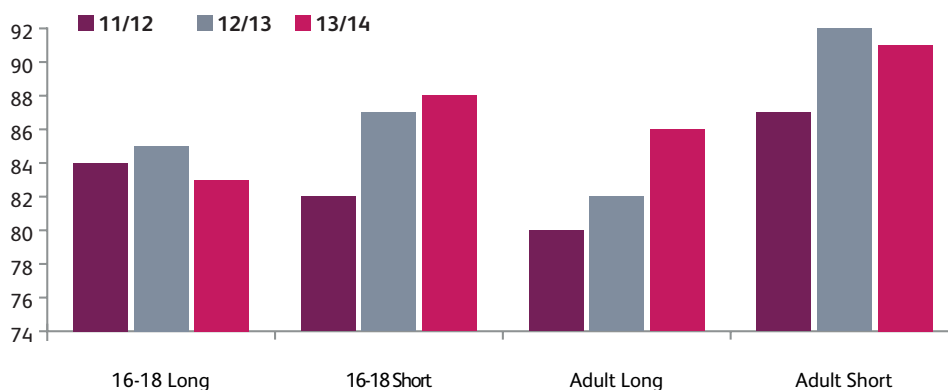
SUCCESS & OUTCOMES

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

The trend graphs below show that we are achieving success rates in the 85 % to 90 % range for our larger cohorts of learners, which are at or above national averages, and are showing improvement.

- Adult success rates have increased by between 4 % to 6 % over the last three years.
- Increases in College attendance rates to 87 % and retention rates to 94 % are factors in maintaining and increasing success rates in 13/14 and beyond.
- HE success rates have been maintained at 73 % also supported by improvements in attendance and retention, as well as student satisfaction of 86 %.
- Justice Sector success rates have reached 87 % while we are also achieving a Good grading in over 80 % of prison inspections.
- Apprenticeships achievement rates have averaged at over 72 % in 13/14.

Success and outcomes





Operating and Financial Review

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

1,478
HE Learners

100%

Pass Rate in
19 A Level
Subjects

£2.6m
Invested in IT Network
and Infrastructure

40%

Market Share in the
Apprenticeship
Sector

92%

Learner
Satisfaction

Over
250

Children in our
Nurseries

406

PT 16-18
Learners

86%

Of our University
Level Students
are Highly
Satisfied

£3.3m

Invested in Land
and our
Buildings

5,271

FT 16-18
Learners

14

Campuses Across
Manchester

4,358

FT Adult
Learners

... and a National Influence

4,332

Learners with
Disability or Learning
Difficulty

4,277

Staff

41%

Market Share in the
Education Custody
Sector

£9_m

Student
Loan Funding

No **2**

Largest FE College
by income

Working
with over
3,000
Employers

OFSTED
Grade
GOOD

Over
2,500
Apprentices

45,221

Offender Learning
Students

6,685

PT Adult
Learners

No **1**

Market Leader in
Offender Learning

3,454

MOL Learners

Operating and Financial Review

The Manchester College is committed to engaging and progressing local residents, providing them with the skills, confidence and motivation they need to make the most of the opportunities the City of Manchester (and beyond!) has to offer

COMMUNITY ENGAGEMENT

During 2013 / 2014 we have continued to work closely with a wide range of public and private sector partners including employers to provide bespoke pre-employment programmes that engage local unemployed residents and provide them with the skills and confidence they need to move into employment. Over 1,600 people attended pre-employment courses with participants moving into employment with employers such as Greater Manchester Police, Wythenshawe Community Housing Group, Royal Mail, Premier Inn and McDonalds.

Alongside employment opportunities we have also been working hard with our partners to open up volunteering opportunities for those who need to gain experience in order to move closer to the labour market. Throughout 13/14 over 120 people engaged with our Cathedral Programme, delivered in partnership with Manchester Cathedral and over 80 people gained valuable work experience via our partnership working with the Imperial War Museum North and the Museum of Science and Industry.

We also continue to work alongside colleagues in the Local Authority to support the development, design and delivery of programmes such as the Troubled Families Programme, Working Well and Complex Dependency to Employment, looking to support those families and individuals across the City who require a more intensive and holistic approach to moving them to employment and reducing dependency on public services.

We were also proud to be working in partnership with the Greater Manchester Centre for Voluntary Organisations (GMCVO) to deliver Talent Match, a Big Lottery funded initiative that works with unemployed young people aged 18-24 who have been out of education, employment or training for over a year.

Our Community Work focuses on reducing worklessness and increasing employment including youth employment.





EMPLOYER ENGAGEMENT

During 2013/14 we continued to grow our offer to employers within Greater Manchester and beyond. Over the last year there have been many successes including:

- We continued to work with and expand our delivery to many of the country's leading brands including Aldi, Scottish Power, First Bus, Premier, Farmfoods, BBC and Debenhams.
- Delivered customised training solutions to organisations such as Manchester City Council, Greater Manchester Fire and Rescue Service and various NHS Foundation Trusts.
- We have created specific pre-apprenticeship programmes for several employers including the prestigious IPA Creative Pioneers programme working with Manchester's Digital Media and Advertising companies.
- 127% increase in the number of apprentices during the last year.
- We have contacted 45,938 small to medium size enterprises to sell our Apprenticeship offer and over 1,500 of these companies have engaged with us.
- Increased Apprenticeship delivery, from 1,100 in 2012/13 to over 2,500 in 2013/14.

Operating and Financial Review

‘ One of the highlights for students was a hugely successful trip to Alton Towers which saw 3,000 of our 16-18 year old students enjoy a day at the Staffordshire theme park. ’

STUDENT ENGAGEMENT

During the summer of 2013 our new youth brand, The Experience, was fully embedded. 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.

Throughout 2013/14 we continued to improve elements of the student experience. Focusing on our 16-18 year old students, we identified six key areas for development: attracting learners, communication and “Keep Warm”, first experience, product offers, “LEAN Enrolment”, and application transformation.

In 2013/14 we have invested in improving the start-to-finish student experience. We have invested in six new School Liaison Officers, who work closely with schools in Greater Manchester to offer high quality careers advice and guidance. Additionally, we built robust and professional relationships with school colleagues from head teachers to careers advisors to ensure positive destinations for all Year 11 and Year 13 students. We have staged targeted events in schools focussing on the specific needs of young people.

We have improved the experience of applying to the College with shorter waiting times between an application and offer.

There has been an increase in the number of students using the Experience student loyalty card, which was launched at an Experience Welcome Day. One of the highlights for students was a hugely successful trip to Alton Towers which saw 3,000 of our 16-18 year old students enjoy a day at the Staffordshire theme park.

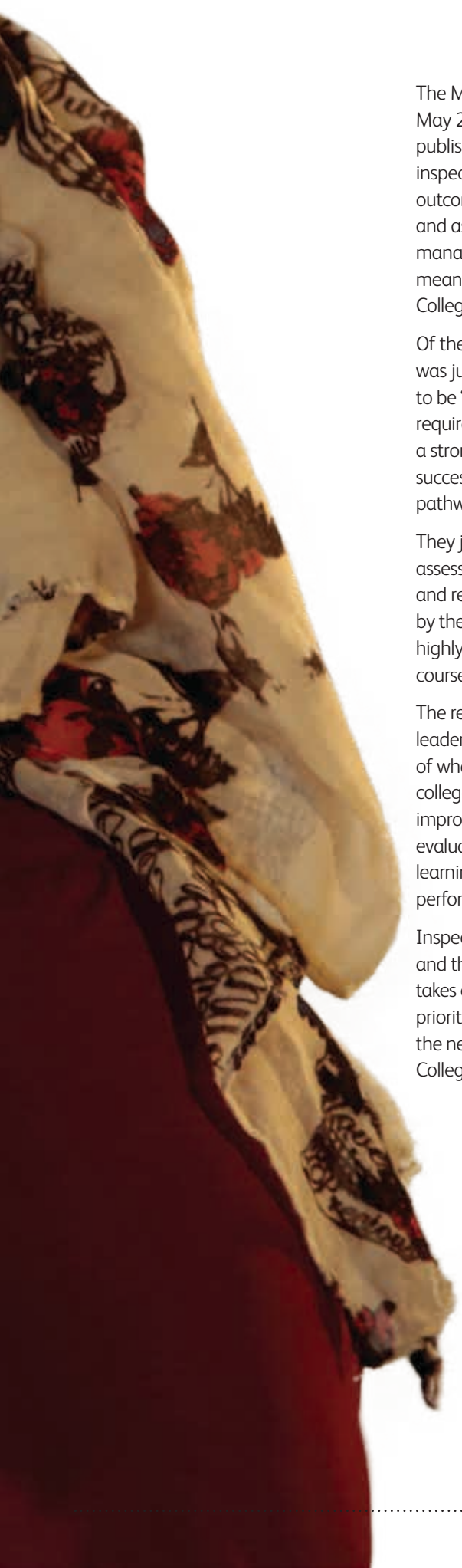
During 2013/14 all learners received discounts and rewards at stores and entertainment venues across Manchester, including prospective students.

The new Lifestyle Card for Higher Education learners in 2013/14 was launched, and a universal Smartcard was developed for enrolled students to allow hardship funding and rewards to be loaded onto the cards to support student retention during 2014/15.



Operating and Financial Review

OFSTED REVIEW



The Manchester College was inspected in May 2014 and the inspection report was published on 20 June. The results of the inspection were extremely positive, with outcomes for learners, teaching, learning and assessment, and leadership and management all graded “good”, which meant the overall effectiveness of the College was judged to be “good” as well.

Of the ten curriculum areas inspected, one was judged “outstanding”, six were judged to be “good”, and three were judged to require improvement. Inspectors recognised a strong trend of improvement in learners’ success rates and the good progression pathways and rates of our learners.

They judged teaching, learning and assessment to be mostly “good” or better, and recognised the strong support provided by the College for individual learners was highly effective in helping them to stay on course.

The report highlights the impact of strong leadership in transforming the culture of what is a very large and complex college through comprehensive quality improvement, internal reviews, accurate evaluation of the quality of teaching, learning and assessment and strong performance management.

Inspectors commended the highly detailed and thorough strategic planning which takes excellent account of local and regional priorities to provide courses that respond to the needs of the communities served by the College.

They also judged the promotion of equality and diversity to be very good and contributing to a strong culture of mutual respect and safety among learners and staff. Inspectors found the College’s own self-assessment to be extremely accurate and recognised that the College has developed the capacity to evaluate its strengths and areas for improvement reliably and is capable of making continuous improvements across the provision.

The inspection reflected favourably on the range of internal quality processes employed during the course of the year. Internal reviews, the observation of teaching and learning arrangements and compliance audits were commended on the quality assurance side.

The value of the coaching system, the use of teaching and learning sets and the new approaches to the continuous professional development of teachers were viewed very positively and were judged to have had a very significant impact in rapidly improving the standards of teaching and learning.

Operating and Financial Review

EMPLOYEE ENGAGEMENT

Working within recognised good practice guidelines, such as the Investors in People national standard, we ensured that both the quality and quantity of training and development was relevant and fit for purpose. During 2013/14 we invested in a variety of developmental activities with our staff.

We continued to encourage our staff to attain relevant qualifications. During the academic year, nine staff undertook the introductory teaching programme, the Award in Teaching & Learning, and four staff completed Level 5 Literacy & Numeracy. During the same period a total of 40 members of staff studied either the Certificate in Education (Level 5) or a Professional Graduate Certificate in Education (Level 6).

Training and development stretches to all levels of the College, and our leadership programme, Leading The Way, saw our Senior Leadership Team undertake a five-day programme to develop leadership skills, which involved 360 feedback and analysis of leadership styles.

Our commitment to training has also required all staff to complete online mandatory training on health and safety, equality and diversity, and safeguarding.

Our staff continue to attain higher education qualifications. In 2013/14 nine staff completed, or started an MA or MSc, one undertook a Doctorate in Education, eight have attained a BA (Hons) in Education & Professional Development along with three in BSc Business Computing.

In assessing and verifying, 30 staff undertook the Certificate in Assessing Achievement qualification, with a number of others undertaking assessing awards and updates with awarding bodies such as City & Guilds, Institute Of Leadership & Management and Certificate Competence in Educational Testing.

The management team also fortified their qualifications, with 40 line managers completing the ILM Level 3, with a view to introducing Level 5 and Level 7 next year.

Working proactively to support and develop our people, 668 staff engaged in a broad range of qualifications, including British Sign Language, counselling, deaf awareness, functional skills in English and maths, ICT, and a variety of technical and professional courses.

For the first time we also ran our staff engagement survey, in which 54 % of staff participated, leading to an overall satisfaction rate of 3.84 out of 5. We continue to hold the Investors In People Silver Award, the Health and Well Being Award, and remain a Living Wage Employer.

NUMBER OF STAFF:		FULL-TIME/PART-TIME SPLIT (OF WHOLE COLLEGE):			FULL-TIME/PART-TIME SPLIT IN SEGMENT:		
Main College	2,130	Main College	14.43% PT	35.38% FT	Main College	28.97% PT	71.03% FT
Justice Sector	2,147	Justice Sector	28.89% PT	21.30% FT	Justice Sector	57.57% PT	42.43% FT
Total	4,277	Total	43.32% PT	56.68% FT	Currently, there are 32 apprentices employed by the College.		





Investing in our Community Environment

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

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 combine 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

During 2013/14 we developed The Manchester College Group Estates Strategy, and developed space norms for all user groups leading to a programme of improved utilisation across the estate. Successful management of accommodation changes facilitated a more cost effective delivery of services.

In the area of capital projects and project management the Nicholls refurbishment was completed at a cost of £2.75 million.

Reprographics Services

In reprographics and distribution services, the merger between the reprographics and distribution departments has benefited the organisation, resulting in operational benefits and cost savings.

The development of staff to allow greater flexibility, faster turnaround times, a more efficient internal mail service, and investment in state-of-the-art printing machinery enabling a more responsive service have all been introduced.

Catering Service

A regional service delivery model for our catering services providing a flexible and more responsive service to the College community was introduced. Some 15 % of the College's catering service staff have undertaken personal development training, and we achieved and maintained a 5-star hygiene rating in line with Environmental Health officer inspections.

The College continues to offer a healthy options menu as part of the College's wellbeing initiative.

Building Maintenance Service

Building Maintenance Services further developed the "3030 Helpline", and introduced hand-held iPad devices for maintenance operatives to facilitate the prioritising of workloads.

A review of the Select List of Contractors to ensure best value to The Manchester College, and management of the maintenance budget to deliver projects in line with agreed timelines and costs were also highlights of our efficiency drive.

Health and Safety Service

The Property and Facilities Management team achieved some notable successes during 2013/14, including maintaining the College's high standards of health and safety and mitigating all risks to an appropriate level, leading to accidents decreasing by 24 % on the previous year. We formalised a development plan to further enhance the effectiveness of health and safety across The Manchester College. Additionally, e-learning compliance has reached 81 % during the year.

INVESTING IN OUR COMMUNITY ENVIRONMENT

Sustainability and Wellbeing

Sustainability co-ordination was a cornerstone of the year's activities. We raised the profile of the activities at the College with the AoC and presented at the group conference.

Awareness was also raised of the NUS Green Impacts Workbook, with 24 staff and students becoming Institute of Environmental Management and Assessment certified auditors. Activities were undertaken throughout the scheme by 20 teams, who achieved 16 awards. Some 55 Sustainability Champions were established over 10 sites, which resulted in the College winning "Highly Commended" at The National Green Gown Awards 2013.

Investing in our Future

During the past year the IT department has undertaken a programme of network upgrades aimed at improving our connection speed to the Internet.

- We have also replaced 60 network switches, and upgraded the inter-campus network to give every student faster access to the internet and faster access to Moodle and other internal services.
- We have removed 1,000 old desktop machines and replaced them all with virtual desktops.
- We have refreshed 325 high performance computers used for advanced computing courses. This enables students to learn using the best technology, and gives tutors the tools they need to teach more effectively.
- We refreshed 82 Apple media workstations. These devices are the best available for working on music, photography and video, enabling advanced forms of media capture and creation of digital content, aiding both our learners and our tutors to gain the skills needed for the modern digital economy.
- During the past year, the IT department has also implemented a cashless payment system which allows students to have money added to their student card for use in the College canteens.
- In order for staff and systems to work more effectively at enrolment times, we have introduced an EBS scanning module that allows staff to scan and store documents directly to our student record database at the point of enrolment.



Operating and Financial Review

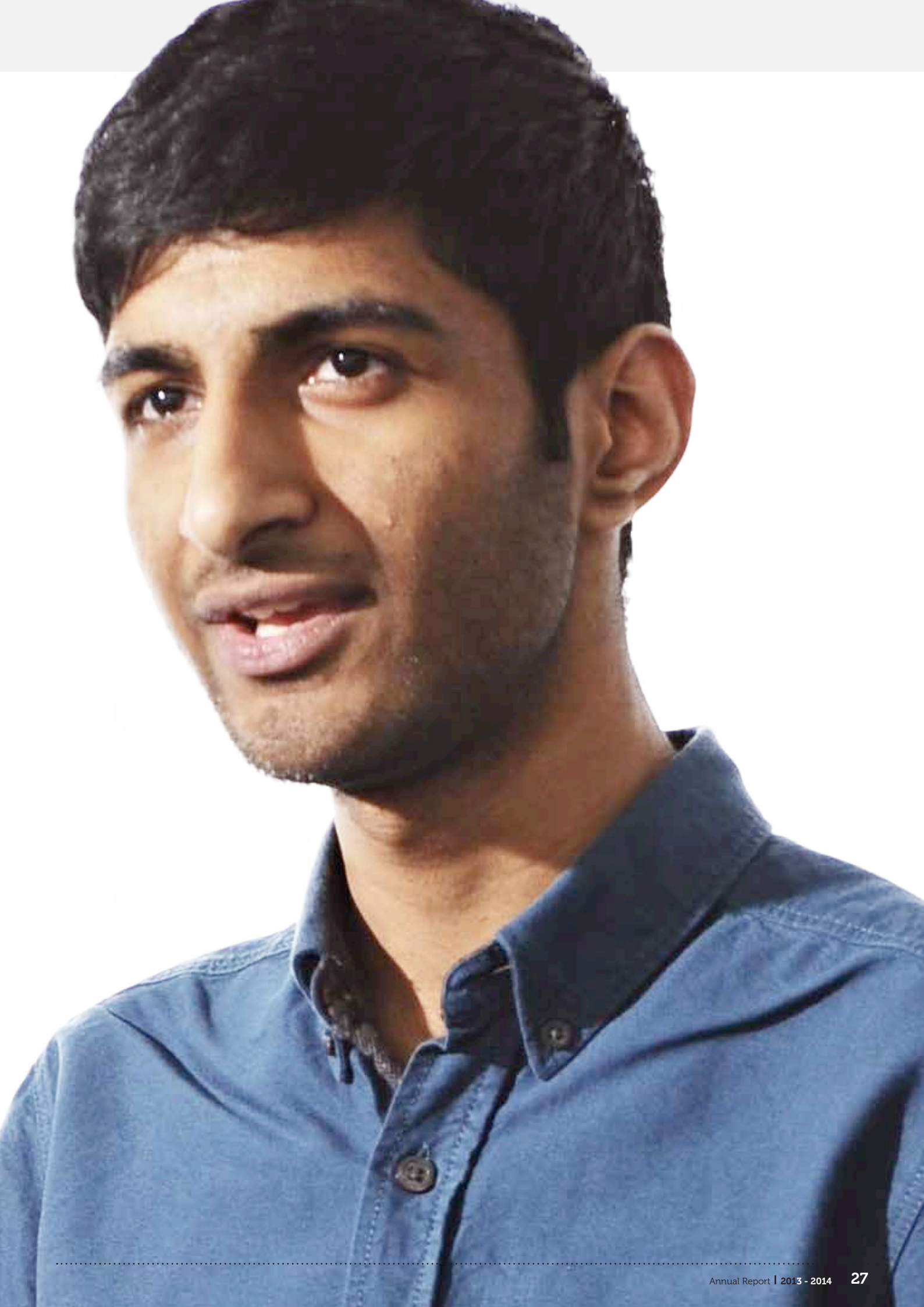
BUSINESS/SECTOR HIGHLIGHTS & RISK REVIEW

MOL

MOL's programme teams have continued to find creative and innovative solutions in challenging and competitive market conditions. Contractions in our key CIPD markets at Level 3, where price cutting has also featured strongly, and at Level 7, partly due to a strategic change by CIPD, and combined with an increased demand for an HR Master's qualification, have been countered by a solid performance from our new Intermediate, Level 5, qualification.

Learners have been impressed with the progressive mix of modules we offer and the quality of our mobile learning platform, accessed via a tablet provided by MOL. Learners have been quick to praise this fresh and innovative approach to CIPD qualifications. There have also been continued strong performances from our Property and Construction Materials areas.

Keen to build on our reputation as a credible high-quality provider of Learning and Development for career professionals, MOL has partnered with the British Institution of Learning & Development (BILD), the professional body for the UK's Learning and Development industry. BILD represents L&D professionals throughout the UK and strives to drive quality and professionalism in the industry. Their mantra, "Be Excellent, Be Recognised!", makes them an ideal partner for MOL as both organisations work to develop L&D professionals and support them throughout their professional careers. This is an important and high profile relationship for MOL and means we can offer our staff, learners, and tutors a number of exclusive benefits.



MOL

Following a move in validation from Liverpool John Moores University to the University of Salford we were able to run our “new” MA programme for the first time this year. Changes to the structure and improvements to the APL requirements have received positive feedback from our learners on their experience and success so far. We’ve introduced new ways of communicating with our learners and have included a “virtual” induction, run as a live web-event, informing and guiding their expectations while demonstrating MOL’s commitment to new learning and communication technologies.

Each of our MA learners is on track to successfully complete the programme by the end of the year and we’re looking forward to them graduating with the other MOL graduates at our prestigious ceremony in central Manchester.

MOL recognises that our learners expect more from us than just a high quality and successful learning experience. Working with a large number of associate practitioners, with wide-ranging specialist knowledge in many areas, MOL is keen to provide additional “value-added” input in our key industries. As a result we have worked closely with a number of our practitioners to develop high-quality and informative “expert” articles and views on a number of key subjects and “hot topics”. We have also increased our engagement with selected social media platforms and our associate tutors actively use these platforms to discuss and promote MOL.

MOL has continued to be a key partner of the professional and awarding bodies with which it works. For the second successive year we sponsored the prestigious Michael Kelly Student Awards at the CIPD People Management Awards in London in September. We also sponsored the first annual NFOPP student awards in Coventry in September, as well as presenting MOL learner awards at the EDA Annual Awards Dinner in London in March.

This year we were privileged to be able to support two centenary events - the CIPD celebrated with a dinner in Manchester in November, while the EDA marked the occasion with a celebratory lunch at Kensington Place in July.

We expanded our support for CIPD by joining them at their Scottish Conference in Glasgow in March and at their North Area Partnership conference in York in June, as well as our usual high-level presence at the Annual Conference and Exhibition in Manchester in November, and the Learning and Development Show in London in April.

Quality assurance has always been a high priority for MOL, with our Quality Assurance team working diligently to exceed the demanding quirks of each of the Awarding Bodies with whom we work.

We have been rewarded with some notable successes this year. Within our HR provision MOL achieved the highest possible grade in our Moderator review for the CIPD Level 7 programme. The team are rightly proud of this achievement because, given the size of our centre and the variances which impact on standardisation, the External Verifier had previously informed us that it would be unlikely for us to ever achieve this grade. We have also maintained our success in the External Verifier grading for the CIPD Level 3 programme, with the newly appointed External Verifier lauding the “exemplary” quality of our work and attention to detail.

We also had some other “starts” and “finishes” this year. Our CIPD Professional Assessment of Competence (PAC) programme finally closed with over 375 learners successfully completing the course to demonstrate their high level of assessed HR competence. We relaunched MOL in Northern Ireland with a corporate Certificate in Facilities Management (Level 4) for the province’s construction industry. We also developed a unique Transport Managers Award in Leadership and Management in partnership with the College’s automotive team and Backhouse Jones solicitors.

KEY RISKS

As the UK continues its climb out of recession MOL needs to continue to develop meaningful and profitable relationships with corporates. Budgets are still constrained and organisations continue to focus very strongly on the impact and return on investment of providing learning and development opportunities for their staff.

MOL is ideally placed to maximise these imperatives as our history is filled with original, innovative and customised programmes for numerous national and multi-national organisations.

This is a key tenet of our longer term strategy as we seek to rapidly grow the business.

Justice Sector

In 13/14 the Justice Sector Team continued to work collaboratively with key stakeholders to raise the aspirations of offenders. We worked with 45,221 offenders enabling progression towards an identified and structured pathway leading to increased employability and economic success on release. Learners within the Justice Sector made good progress with an overall success rate of 87%, an increase on 12/13.

Delivery took place in over 60 delivery locations nationwide in the North West, Yorkshire and The Humber, North East, Kent and Sussex, Young People's estate and in Approved Premises and Community Payback settings. In each delivery setting we have worked closely with partners to develop and implement a curriculum offer that is employability driven, meeting the needs of local and national employers and in doing so, providing offenders with the skills to gain and sustain employment.

We have developed a broader offer that responds to the complex and often unique needs of the prison population, our work within the female estate successfully embeds employability and, personal and social skills needs. In 13/14 our Inclusive Learning model successfully engaged and supported 9,897 learners throughout their programmes. A successful expansion of the Inclusion Champions programme along with refreshed materials has helped to further embed the model. Our work in these key areas is helping to inform and influence national policy and the wider sector.

Our offer also successfully engages hard to reach learners, providing a first step in their pathway and facilitating progression onto a more mainstream offer. Our mentoring programme promotes the benefits of learning and those engaged in this work make a positive contribution to their local community through widening participation.

Our dedicated and specialist team work creatively to produce extraordinary results in the most challenging of circumstances and environments. This commitment to raising standards of teaching, learning and assessment is reflected in an improving and, sector best Ofsted/ HMIP inspection profile. This raising of standards is well supported by the Training and Development team. Expanded in 13/14, the team work across functions, drawing upon Justice Sector expertise to deliver a comprehensive and contextualised training package.

Working within a prison environment presents unique communication challenges and in 13/14, we have worked to overcome these with the aim of providing greater connectivity throughout the business. There has been some good progress however we recognise that this remains a key challenge for the Justice Sector. A key success in 13/14 was the introduction of New Directions - a unique publication, breaking new ground in terms of both its audience and its content. New Directions affords a glimpse of the breadth of the services offered by our Justice Services, it celebrates our innovation and promotes the impact of what we do through uplifting learner stories. Now in its third edition, New Directions continues to grow both in the scope of its content and in the perception of it from both staff and external stakeholders.

In order to facilitate business development we have established a new Justice Business Development Team to support the delivery of strategic growth targets. Building on the successes of 13/14 we are confident of achieving our ambitious 25% growth target through a strong pipeline of new initiatives. During the year we've submitted bids with a total value for over £140m for interventions with both adult and young offenders in custody and community across the whole of England.

KEY RISKS

The Justice Sector is at an exciting stage of development which sees opportunities materialising resulting in both growth and development of our well established services. We are currently undergoing a change programme to ensure that we can respond effectively to changes in funding and, to facilitate growth and further diversification in our work.

We are working closely with key stakeholders in bringing about this change who themselves, are experiencing a reshaping of the prison estate and reducing re-offending services. The changing landscape requires a new approach and we are well placed to build upon our solid foundations to become a fully integrated service provider across a wider range of reducing reoffending services and geographical footprint.



Apprenticeships

We have significantly increased Apprenticeship enrolments this year and have over 2,500 apprentices currently in learning, across a wide variety of frameworks and at every level.

We have invested heavily in delivery and management capacity in order to expand our provision in a quality and performance based way. As part of this initiative we are building on our extensive employer links through our dedicated business development team, led by our commercial manager to support meeting the employment and skills development needs locally, regionally and nationally. We have aligned our business with Greater Manchester priority areas to ensure economic growth for our local communities.

The College now has the capacity to deliver a large volume of Apprenticeships throughout the UK, and is capable of delivering all elements of Apprenticeship frameworks across all sectors and engages learners of all ages.

As part of our service offer we now provide a customised employer account management function, whereby we allocate a project manager to be a central point of contact for all aspects of the partnership management.

This management function is also supported by our dedicated work based quality assurance manager who provides quality support in all programme aspects relating to work based/employer delivery.

We have introduced an initiative to interview, prepare and guide all the candidates we put forward for interview with employers by introducing a dedicated recruitment team for SMEs. This function ensures that they have the right skills and competencies required by the employer. We have developed this aspect of our activity throughout the year to further embed this learner preparation with bespoke pre-Apprenticeship programmes mutually beneficial to our learners and employers, enabling a much smoother recruitment process.

“ We are building on our extensive employer links through our dedicated business development team ”

Highlights

- We have provided a number of bespoke pre-Apprenticeship programmes for those not in education, employment or training (NEETS). We have created specific pre-Apprenticeship programmes for several employers including the prestigious IPA Creative Pioneers programme working with Manchester’s digital media and advertising companies.
- In November, The Manchester College’s Apprenticeship programme with Greater Manchester Fire and Rescue Service began when we were successful in our bid to deliver their Apprenticeship programmes. We have worked closely with Greater Manchester Fire and Rescue Service to create and develop training programmes relevant and specific to the service’s specific needs and directly related to the jobs available.
- We partnered with Stockport Council on their new initiative aimed at getting young people in Stockport on the job ladder. The Apprenticeships Store opened in Stockport Exchange in January and is helping 16–24 year olds in the borough.
- In March, as part of National Apprenticeship Week our award winning 50 in 5 campaign saw 50 local young people start an Apprenticeship in five days. We kicked off the week by placing our first apprentice at Rio Ferdinand’s Manchester restaurant, Rosso.
- In April and June, we worked together with Swedish based Playground Squad, Manchester City Council and the Greater Manchester Chamber of Commerce to deliver 60 Apprenticeships in game design, game programming and game art at the world class games school based in Manchester’s Sharp Project.
- In May, we placed our first events planning apprentice with Kim Marsh’s company VIP Appearances.
- Large brands: We continue to work with, and expand our delivery to many of the country’s leading brands including the BBC, Aldi, First Bus, the Fire and Rescue Service, Farmfoods, various NHS Trusts, IPA and Debenhams.
- Small to Medium Enterprises: We have contacted 45,938 employers with Apprenticeship offers and over 1,500 SMEs have engaged with the College.

KEY RISKS

The increasing policy focus on Apprenticeships and the anticipated changes to employer responsive funding seen in the launch of Trailblazers means the Apprenticeship Team will need to structure an innovative approach to employer responsive provision. We intend to reduce engagement with subcontractors and partners whilst continuing to maintain our position as a provider of high quality, flexible and timely Apprenticeship delivery.

We will continue to engage effectively with employers and develop mutually beneficial partnerships with businesses within Greater Manchester and throughout the UK. We will build on our quality and success rates by promoting Higher Level Apprenticeships and focusing on our student experience with high quality information and guidance (IAG) and welfare support.

Higher Education

Higher Education at The Manchester College is designed to enable access to vocationally relevant higher level qualifications in a supportive local college environment and driven by the mission to be “a leading provider of flexible, affordable, career relevant, education”.

For the 2013/14 academic year the Higher Education portfolio consisted of eight Level 4/5 programmes (Cert Ed, HNC/HND), 31 foundation degrees, eight honours programmes and two postgraduate programmes, with a total of 1,295 students enrolled on full-time programmes and 183 students enrolled on part-time programmes. This was an increase of 166 on the previous year, confirming students’ desire to study in Higher Education at the College, which continues to provide an exciting curriculum to meet their needs.

The Higher Education provision has shown continuous improvement across all academic years for attendance and retention. There has been a significant 5 % increase in attendance to 86 % overall, with the high retention rate of 83 % significantly improved by 5 % on previous year.

The growth phase for the Higher Education provision commenced with a total of 11 new programmes developed during the year for September 2014 entry. Four new foundation degrees and one new honours degree were validated by the University of Salford, and six new HNC/HNDs were developed.

All these programmes were identified at the curriculum review event held in October 2013 to improve internal progression routes for our existing Level 3 students and provide progression onto Higher Education for students from within the College. This confirms the College’s objective to provide access to Higher Education for all its students. This exciting time of growth and development for the Higher Education portfolio will see the new curriculum validated in 2014/15 to develop our Higher Education provision to meet local, regional and national needs.

Student engagement was enhanced at the College through sharing course reviews with student representatives in October and March. At these meetings, student representatives and HE Quality Managers discussed the programme reviews, which were prepared by the programme team, to seek student viewpoints and propose actions to improve the programmes.

The introduction of module evaluations has allowed students to communicate their viewpoints directly to a tutor in a formal and confidential manner, and is testimony to the College’s student engagement strategy and its aim to improve the student experience.

There are a number of niche areas of Higher Education provision within the College. The Arden School of Theatre and the make-up artistry provision are both nationally renowned, attracting a significant number of applications annually. Similarly, digital media provision in film, photography, animation and 3D attracts some of our most innovative applicants, and supports dynamic graduate opportunities at Media City. The computing curriculum has the CISCO vendor accreditation embedded to allow students to obtain industry standard qualifications as part of their foundation degree.

These courses demonstrate the niche curriculum areas the College provides for its students. The College’s provision of exciting, up-to-date and cutting edge courses is testament to the constant dialogue between those running the course and the students studying on them.

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

The approval of a number of new appointments to the Higher Education quality team supports the College’s desire to have an extensive quality assurance team to assure and enhance its own provision.

Additionally, the first two full years of accreditation with the University of Salford are now confirming the robust mechanisms for quality assurance evident at the College. Chairs of programme and module boards for the second consecutive year complimented the College on the high levels of attainment on a number of programmes, and they are highly complimentary of the professionalism and operations of the boards at the College.

This is confirmed by external examiners’ comments regarding the dedication of staff, both in support of their students and of the consistently high standards of delivery evident in the programmes available at the College.

KEY RISKS

The removal of the student number control allows all Higher Education Institutions (HEI’s) to recruit as many students to their provision as they wish with no restrictions from HEFCE resulting in increasing competition within the Higher Education Sector. In order to remain competitive the College is enhancing its Higher Education portfolio to provide students with the skills and knowledge they require to progress into employment upon successful graduation.

The Manchester College – Youth and Adult

In 2013/14 the College established a new Business Planning Process for the 2014/15 curriculum developed in line with the College's Strategic Plan 2013/18 and supporting the Mission, Vision and Strategic Objectives.

Curriculum staff were asked to plan for the next two years of provision in line with a set of principles agreed by the College Executive and Governing Body, including:

- 16-18 growth
- 16-18 development and enhancement of study programme
- 16-18 delivery efficiency
- Redefined 14-16 offer to provide a wider offer for 14-19 learners in Greater Manchester
- Redefined curriculum offer for adults to align to labour market and learner needs in all of our regions
- Redefined curriculum offer for adults to address the following efficiency measures:
 - Minimum class sizes
 - Review of additionality to maximise employability and job outcomes
- Application of minimum quality standards to the course approval and new product development process
- Investment in IT facilities and learning resources to address under investment in the previous 3-5 years
- Alignment of all delivery to Greater Manchester priorities
- Establish a base line course file to facilitate engagement with Greater Manchester Chamber of Commerce and Greater Manchester employers to establish an employer approval/endorsement process to the planning of curriculum and to new product development

KEY RISKS

The College is working to maintain and build upon quality gains achieved as it strives to change pedagogy and staff delivery structures to maximise benefits to students.

In order to grow market share better utilisation of labour market intelligence data will promote clear progression pathways and employability opportunities for students through appropriate funding, be it pressured government funding contracts, student loans or hardship arrangements.



FINANCIAL HIGHLIGHTS

The College achieved an operating surplus of £3.5m.

The general reserves figure excluding the pension reserve on the balance sheet was £66.4m as at 31st July 2014. The Manchester College's total income was £157.7m

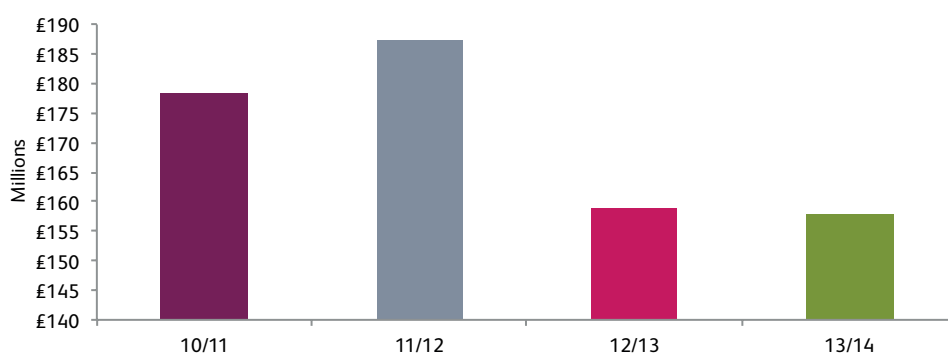
- The College achieved a financial health score of 'Good' as measured by the Skills Funding Agency
- The College continued its investment strategy in accommodation and IT/ equipment to the net value of £4m
- This investment resulted in an improved learning environment for our students

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



TOTAL INCOME

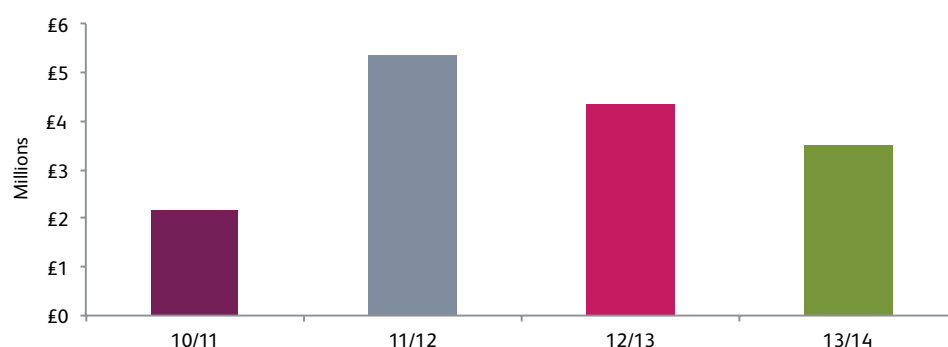


Total income

10/11	178,195,000
11/12	187,451,000
12/13	158,713,000
13/14	157,712,000

Income dropped by £1m (0.63%) in 2013/14 compared to 2012/13 due mainly to a reduction in contract value for HEFCE, Adult and Youth.

SURPLUS

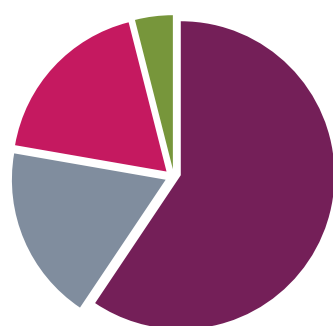


Surplus

10/11	2,165,000
11/12	5,352,000
12/13	4,365,000
13/14	3,514,000

The drop in income is also reflected in the drop in surplus in 2013/14 compared to 2012/13. The College budgeted for this decrease by realigning costs.

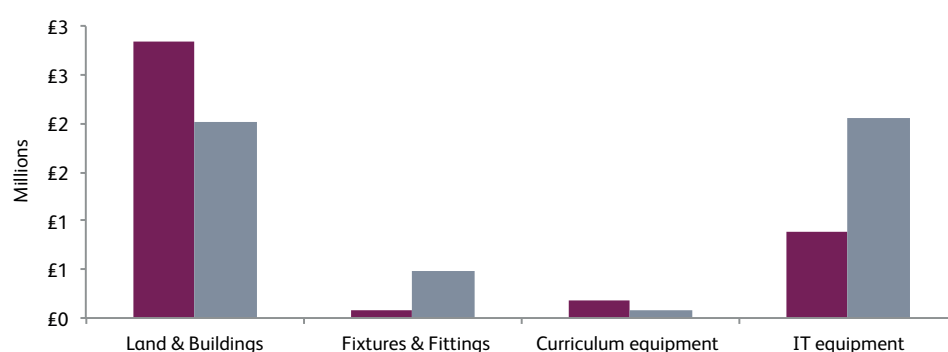
STAFF PROFILE (FTEs)



Staff profile (FTEs)

Teaching	1,948
Teaching and other support staff	601
Admin and central services	600
Premises	130
Total	3,279

CAPITAL EXPENDITURE



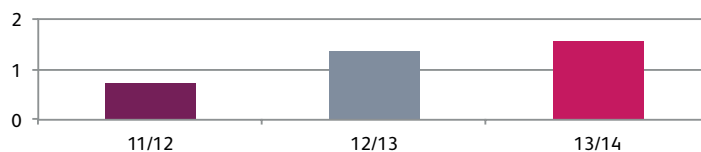
	12/13	13/14
Land & Buildings	2,852,000	1,945,000
Fixtures & Fittings	81,000	510,000
Curriculum Equipment	180,000	75,000
IT Equipment	889,000	2,089,000
Total	4,002,000	4,619,000

The college continued its investment in estates, spending a gross value of £4.6m and a net value of £4m during 2013/14, of which £1.0m was spent on Nicholls campus and £2.0m spent on IT equipment

CURRENT RATIO

KPI	Ratio
11/12	0.72
12/13	1.36
13/14	1.55

The current ratio is a liquidity ratio that measures a college's ability to pay short-term obligations. This is a proportion of current assets to current liabilities.

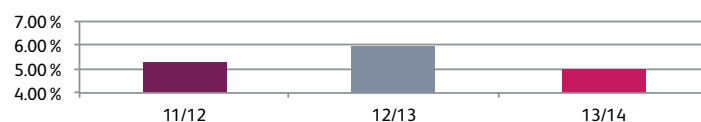


The ratio is higher than 2012/13 because of the release of Justice Sector payments on account resulting in a drop in total liabilities.

PERFORMANCE RATIO

KPI	Ratio
11/12	5.27%
12/13	5.96%
13/14	5.02%

The Performance ratio is a measure of profitability in relation to turnover. This is operating profit plus depreciation less the associated capital grants releases, plus FRS17 less pension finance income.

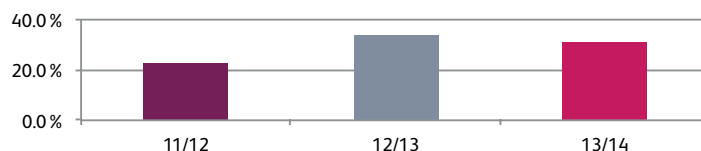


Profitability decreased compared to 2012/13 due to an overall drop in income of 0.6% and it has averaged 5.4% for the last 3 years.

GEARING RATIO

KPI	Ratio
11/12	22.9%
12/13	33.9%
13/14	30.6%

The Gearing ratio measures the College's dependence on borrowed money for funding its activities. This is net debt divided by the sum of net debt and net assets (excluding pension liability).



Gearing has declined in 2013/14 compared to 2012/13 due to capital repayments of £2m.

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 a financial health grade of 'Good' in 2013/14 as per the Skills Funding Agency approach.



Equal Opportunities 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 an Access Co-ordinator, who provides information, advice and arranges support where necessary for students 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.

STATUTORY STATEMENTS

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 9th December 2014 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 together with its Audit and Accountability Annex. We have not adopted and therefore do not apply 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 Board of Governors, the College has complied with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2014. The Board of Governors 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.

Public Benefit

The Manchester College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 43.

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

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

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

The Board of Governors

The composition of the Board of Governors is set out on page 43. It is the Board of Governors' responsibility to bring independent judgment 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 at least once 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, HR, Governance and Search, Audit, and Quality.

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

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

The Company Secretary 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 Company Secretary, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Company Secretary 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

Those serving on the College Board during 2013/14 and up to the date of signature of this report are set out below:

Name	Date of Appointment	Term of Office	End of term of office	Status of appointment	Committees served	Corporation meeting attendance
Mr D Cain	15.02.11	4 Years		External Member	Governance & Search, Audit, HR, Remuneration	7/8
Mr N F Collins	10.09.12	4 Years		External Member	Audit, Quality	7/8
Mr P Fell	26.01.10	4 Years		External Member	HR, Quality, Governance & Search, Finance & General Purposes	7/8
Mr J Hacking	10.09.12	4 Years		External Member	Quality, Finance & General Purposes	8/8
Miss S H Navarro	25.09.12	2 Years	July 2014	Student Member	Quality	5/8
Ms F S King	14.12.10	4 years		External Member	HR	5/8
Mr B J Lynch	14.12.10	4 Years		External Member	HR	6/8
Ms K Macdonald	19.03.10	4 Years		External Member	Quality, Finance & General Purposes	6/8
Mr A Mills	27.09.11	4 Years		External Member	Quality, Finance & General Purposes	3/8
Mr K Moghal	15.02.12	4 Years		External Member	Audit, Quality	8/8
Cllr S Murphy	15.02.12	4 Years		External Member	Finance & General Purposes, Quality, Governance & Search, Remuneration	8/8
Mr E Sheehy	18.01.13	4 Years	January 2014	Staff Member	Quality	2/3
Mr A Simpkin	26.01.10	4 Years		External Member	Audit, Quality, Remuneration	8/8
Mr S Wilson	29.10.13	2 Years		Student Member	Quality	3/7
Mrs P Waterhouse	12.12.13	4 Years		External Member	Quality	5/5
Mr K Clark	03.06.14	2 Years		Staff Member		2/2
Mr J Carney	N/A			Principal	Finance & General Purposes, Quality, Governance & Search, Remuneration, HR	8/8
Mr P Lanigan	03.06.14	4 Years		External Member		2/2
Mr J Thornhill	N/A			Chief Executive Officer	Finance & General Purposes, Quality, Governance & Search, Remuneration, HR	8/8
Ms C Carroll	18.01.13	4 years		Staff Member		5/8
Mr F Hardman served as the Clerk to the Board of Governors until 31.08.13. Jennifer Foote has served as Company Secretary since 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 the Company Secretary, 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.

Remuneration Committee

Throughout the year ended 31 July 2014, the College's Remuneration Committee comprised Mr D Cain, Cllr S Murphy and Mr A Simpkin, and in attendance was the Company Secretary. The Committee's responsibilities are to make recommendations to the Board of Governors on the remuneration and benefits of the CEO and other senior post holders.

Details of remuneration for the year ended 31 July 2014 are set out in notes 6 and 7 to the financial statements.

Audit Committee

The Audit Committee comprises of Mr N F Collins, Mr D Cain, Mr K Moghal and Mr A Simpkin. In attendance were the Company Secretary; representatives of the College's financial statements and regularity auditors Grant Thornton UK LLP; the College's internal auditors Baker Tilly and College officers including Head of Finance and Deputy CEO.

The Committee operates in accordance with written terms of reference approved by the Board of Governors. Its purpose is to advise the Board of Governors on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal funding, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

Management is responsible for the implementation of agreed audit recommendations, and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Board of Governors on the appointment of internal, funding and financial statements and regularity auditors and their remuneration for both audit and non-audit work.

Finance and General Purposes Committee

Throughout the year ended 31 July 2014 membership of the Finance and General Purposes Committee was made up of Cllr S Murphy, Mr J Hacking, Ms K Macdonald, Mr A Mills, Mr J Thornhill, Mr J Carney and Mr P Fell, and in attendance was the Company Secretary.

The Committees responsibilities included the monitoring of the annual estimates of income and expenditure, capital expenditure requirements including loans and major variations in expenditure.

Other duties included:-

- i) the scrutiny of the Financial Statements/Report of Members
- ii) to review the College's Financial Statements
- iii) the writing-off of bad debts

- iv) to review and report on the periodic management accounts of the College and joint ventures
- v) to review arrangements for securing value for money, solvency and safeguarding assets
- vi) to approve capital expenditure within the approved programme and to monitor major projects
- vii) to determine tuition and other fees
- viii) to determine the College's investment and borrowing
- ix) to consider any items relating to the accommodation strategy, estates, property and accommodation that may be referred to it by the Board of Governors
- x) to monitor on behalf of the Board of Governors the implementation of the Freedom of Information Act.

The Committee met on 4 occasions during 2013/14.

Curriculum / Quality Committee

Throughout the year ending 31 July 2014 the membership of the Committee was made up of Mr N Collins, Mr P Fell, Mr J Hacking, Miss S H Navarro, Ms K Macdonald, Mr A Mills, Mr K Moghal, Cllr S Murphy, Mr E Sheehy, Ms C Carroll, Mr A Simpkin, Mr J Thornhill, Mr J Carney and in attendance was the Company Secretary.

The Committee met on 6 occasions in 2013/14 and its responsibilities included:-

i) Monitoring the College's capacity to continually improve

- a) To scrutinise the performance of curriculum and service directorates through the process of wider review and comparison to national benchmarks and other externally recognised measures.
- b) To regularly review and approve arrangements for self-assessment, evaluation and action planning at all levels within the institution to ensure this is a fully inclusive and effective process.
- c) To receive information on College performance resulting from inspection and other external assessments.

ii) Monitoring the College's capacity to be responsive

- a) To be aware of developments and trends in education at a national and local level and to assist the full Board of Governors and Principalship in formulating policy regarding curriculum and quality matters.
- b) To receive and approve information on key targets relating to curriculum and quality with regard to the College's mission and three year strategic plan.
- c) To receive and scrutinise information on the College's response to equality, diversity, inclusion and excellence.

iii) Monitoring the views and experiences of the learner

- a) To scrutinise and promote the quality of the learner experience and learner outcomes.
- b) To receive reports on learner feedback, establish effective communication arrangements with the student Council and have access to learners and facilities as appropriate.
- c) To have an overview of learners' personal development, employability, added value, progression and destinations.

HR Committee

Throughout the year ended 31 July 2014 the membership of the Committee was made up of Mr D Cain, Mr P Fell, Ms F King, Mr B Lynch, Mr J Carney, and Mr J Thornhill and in attendance was the Company Secretary.

The Committee met on 4 occasions in 2013/14 and the Committee's responsibilities included:-

- i) To advise the Board of Governors on, such matters as the Board of Governors may from time to time remit them to relating to all aspects of the HR function.
- ii) To undertake detailed consideration of all staffing and industrial relations agreements on behalf of the Board of Governors and advise members on these.
- iii) To ensure that there are effective arrangements for industrial relations for all categories of staff across the College.
- iv) To monitor the staffing establishment and staffing structures of the College on behalf of the Board of Governors.
- v) To receive information on severances, retirements, health grounds and dismissals on behalf of the Board of Governors.
- vi) To ensure that appropriate procedures relating to the appointment of staff are in place and carried out in accordance with the Articles of Government.
- vii) Subject to compliance with the annual budget approved by the Corporation and excluding senior post holders, to consider the annual pay award for staff of the College.
- viii) To consider, evaluate on behalf of the Board of Governors matters such as changes in employment law; Pensions, changes in pay and conditions of staff in order that the College can sustain good practices and not act outside legislative frameworks.

Governance and Search Committee

Throughout the year ended 31 July 2014 the membership of the Committee was made up of Mr D Cain, Mr P Fell, Cllr S Murphy, Mr J Carney, and Mr J Thornhill and in attendance was the Company Secretary.

The Committee met on 2 occasions in 2013/14 and the Committee's responsibilities included:-

- i) To advise the Board of Governors on the constitution of the Board,
Including:-
 - the total number of members of the board
 - the number of members in each membership category
 - the blend of skills required on the board
 - the procedure for the selection of new governors
 - the criteria and procedure for removal of existing governors
 - governors' terms of office
 - the code of conduct for governors
 - the register of governors' interests
 - governor training
 - board and individual governor performance evaluation
 - the effectiveness of the board's decision making processes following review on an annual basis
 - the membership of committees of the board

- the appointment and appraisal of the Clerk to the governors

In providing their advice, the Committee takes into account the parameters set by legislation and the guidance available on good governance from the funding bodies, the Association of Colleges and other bodies such as the Committee on Standards in Public Life.

- ii) Before the expiry of the term of office of existing governors or upon a vacancy arising on the Board, to conduct the approved selection procedure and to recommend to the Board a person or choice of persons to fill the vacancy.
- iii) To consider proactively and on an on-going basis the blend of skills required on the Board and to search actively for potential new board members.
- iv) In the event that it appears to the committee that there are grounds for removing a governor, to conduct the appropriate procedure and make a recommendation to the board.
- v) To oversee arrangements for governors' links with managers of the College for familiarisation with the work of the College.

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 2014 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 year ended 31 July 2014 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 EFA and SFA's 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. At 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 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.

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

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

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

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

Going Concern

The College’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 9th December 2014 and signed on its behalf by:

Chair – Cllr S Murphy

Date _____

Chief Executive Officer – John Thornhill

Date _____

Financial Statements for the Year Ended 31 July 2014

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 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 2013-14 financial statements issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the 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 are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place 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 9th December 2014 and signed on its behalf by:

Chair _____

Cllr S Murphy

Date _____

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE MANCHESTER COLLEGE

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

This report is made solely to the 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 Corporation and auditor

As explained more fully in the Statement of Responsibilities of the members of the Corporation set out on page 50, 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 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 of the state of the College's affairs as at 31 July 2014 and of its surplus of income over expenditure for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and the Accounts Direction for 2013 to 2014.

Matters on which we are required to report by exception

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

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

GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
London

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Date:

Financial Statements for the Year Ended 31 July 2014

INDEPENDENT AUDITOR'S REPORT ON REGULARITY TO THE CORPORATION OF THE MANCHESTER COLLEGE ("THE COLLEGE") AND THE CHIEF EXECUTIVE OF SKILLS FUNDING

This report is produced in accordance with the terms of our engagement letter dated 14 November 2014 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Financial Memorandum with the Chief Executive of Skills Funding, in accordance with the authorities that govern them.

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

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

Responsibilities of the Corporation of The Manchester College

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

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

Auditor's responsibilities

Our responsibility is to express a reasonable assurance opinion in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter dated 14 November 2014. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

Basis of opinion

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

Opinion

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

GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
London

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Date:



INCOME AND EXPENDITURE ACCOUNT

		2014 £000	2013 £000
Income	Notes		
Funding body grants	2	127,338	136,136
Tuition fees and education contracts	3	18,982	13,761
Other income	4	10,924	8,663
Endowment and investment income	5	468	153
Total income		157,712	158,713
Expenditure			
Staff costs	6	110,024	111,557
Exceptional staff restructuring costs	6	2,179	1,134
Other operating expenses	8	35,958	35,813
Depreciation	11	4,592	4,362
Interest and other finance costs	9	1,445	1,482
Total expenditure		154,198	154,348
Surplus on continuing operations after depreciation of tangible fixed assets and before tax		3,514	4,365
Taxation	10	-	-
Surplus for the year transferred to general reserves	20	3,514	4,365

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

FINANCIAL STATEMENTS

Financial Statements for the Year Ended 31 July 2014

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

		2014	2013
		£000	£000
	Notes		
Surplus on continuing operations before taxation		3,514	4,365
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	19	239	239
Historical cost surplus for the year before and after taxation		3,753	4,604

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2014	2013
		£000	£000
Surplus on continuing operations after depreciation of assets at valuation and tax		3,514	4,365
Actuarial (loss)/gain in respect of pension scheme	26	(8,273)	17,137
Total recognised (loss)/gain relating to the year		(4,759)	21,501
Reconciliation			
Opening reserves		59,166	37,665
Total recognised (loss)/gain for the year		(4,759)	21,501
Closing reserves		54,407	59,166

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 31 JULY

	Notes	2014 £000	2013 £000
Fixed assets			
Tangible assets	11	118,189	118,166
Investments	12	-	-
Total fixed assets		118,189	118,166
Current assets			
Stock		30	30
Debtors	13	4,764	4,008
Cash at bank and in hand	25	25,454	29,921
		30,248	33,959
Less creditors: amounts falling due within one year	14	(19,512)	(24,982)
Net current assets		10,736	8,977
Total assets less current liabilities		128,925	127,143
Less creditors: amounts falling due after more than one year	15	(28,341)	(30,420)
Less provisions for liabilities and charges	17	(2,126)	(2,134)
Net assets excluding pension liability		98,458	94,589
Net pension liability	26	(17,925)	(8,887)
NET ASSETS INCLUDING PENSION LIABILITY		80,533	85,702
Deferred capital grants	18	26,126	26,537
Reserves			
Income and expenditure account excluding pension reserve	20	66,422	61,904
Pension reserve	26	(17,925)	(8,887)
Income and expenditure account including pension reserve	20	48,497	53,017
Revaluation reserve	19	5,910	6,149
Total reserves		54,407	59,166
TOTAL FUNDS		80,533	85,702

The financial statements were approved by the Board of Governors on 9th December 2014 and were signed on its behalf on that date by:-

Cllr S Murphy
Chair

Mr J Thornhill
Chief Executive Officer

Financial Statements for the Year Ended 31 July 2014

CASH FLOW STATEMENT

	Notes	2014 £000	2013 £000
Cash inflow from operating activities	21	2,567	3,379
Returns on investments and servicing of finance	22	(1,254)	(623)
Capital expenditure and financial investment	23	(3,765)	(3,058)
Financing	24	(2,015)	11,735
(Decrease)/increase in cash in the year		(4,467)	11,433
Reconciliation of net cashflow to movement in net debt			
(Decrease)/increase in cash in the year		(4,467)	11,433
Repayment of loans		2,015	1,265
Cash inflow from new secured loan		-	(13,000)
Movement in net debt in the year		(2,452)	(302)
Net debt at 1 August		(2,174)	(1,872)
Net debt at 31 July	25	(4,626)	(2,174)

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 2013-14 financial statements and in accordance with applicable Accounting Standards.

Basis of accounting

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

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.

Financial Statements for the Year Ended 31 July 2014

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

Income from grants including funding body non recurrent grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. Any payments received in advance of such performance are recognised on the balance sheet as liabilities along with any anticipated repayment of grants in respect of under delivery.

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 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 payrolls. 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.

Financial Statements for the Year Ended 31 July 2014

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.

Taxation

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

	2014 £000	2013 £000
SFA recurrent grant	22,156	26,355
EFA recurrent grant	31,335	34,126
Recurrent grant – HEFCE	1,713	3,206
SFA non recurrent grant	59,464	57,781
EFA non recurrent grant	6,242	7,614
Release of deferred capital grants (note 18)	733	948
ESF Co-financing	889	45
Education contracts	673	767
HE franchised	3	58
24+ Loans	-	-
Higher Education learner support	69	64
Other funds	545	2,536
Employer responsive	3,516	2,636
Total	127,338	136,136

3. TUITION FEES AND EDUCATION CONTRACTS

	2014 £000	2013 £000
UK higher education learners	6,787	4,583
Non-EU learners	249	404
UK further education learners	10,497	7,220
Education contracts	1,449	1,554
Total	18,982	13,761

4. OTHER INCOME

	2014 £000	2013 £000
Residences, catering and conferences	1,550	1,636
Other income-generating activities*	1,363	1,511
Other income**	7,733	5,090
Releases from deferred capital grant (note 18)	278	426
Total	10,924	8,663

* This primarily relates to open learning activity and projects undertaken.

** This includes Rental income £687k (2012/13 £627k), Exam fee income £740k (2012/13 £357k), Nursery income £989k (2012/13 £1,022k).

Financial Statements for the Year Ended 31 July 2014

5. ENDOWMENT AND INVESTMENT INCOME

	2014	2013
	£000	£000
Interest receivable	191	153
Pension finance income (note 26)	277	-
	468	153

6. STAFF COSTS

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

	2014	2013
	Number	Number
Teaching staff	1,948	2,199
Non teaching staff	1,331	1,531
Total	3,279	3,730

Staff costs for the above persons:

	2014	2013
	£000	£000
Wages and salaries	91,458	92,580
Social security costs	6,787	6,942
Other pension costs (including FRS 17 adjustments)	10,945	11,027
Payroll sub total	109,190	110,549
Contracted out staffing services	834	1,008
Sub total	110,024	111,557
Exceptional restructuring costs	2,179	1,134
Total Staff Costs	112,203	112,691

Staff costs	2014	2013
	£000	£000
Teaching departments-teaching staff	71,697	73,906
Teaching support services	15,276	18,405
Other support services	1,571	1,125
Administration and central services	13,808	9,600
General Education	1,238	1,185
Premises	3,272	3,654
Catering and residencies	1,195	1,279
Enhanced pension provision	91	82
FRS17 retirement benefit charge	1,042	1,313
	109,190	110,549
Contracted out staffing services	834	1,008
	110,024	111,557
Staff restructuring costs	2,179	1,134
Payroll total	112,203	112,691

Financial Statements for the Year Ended 31 July 2014

	2014	2013
	£000	£000
Employment costs for staff on permanent contracts	100,766	99,485
Employment costs for staff on short-term and temporary contracts	7,382	9,751
Contracted out lecturing services	834	1,008
FRS17 Retirement benefit charge	1,042	1,313
Staff restructuring costs	2,179	1,134
Total	112,203	112,691

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

	2014 Number senior post- holders	2013 Number senior post- holders	2014 Number Other staff	2013 Number Other staff
£60,001 to £70,000	1	1	9	9
£70,001 to £80,000	-	5	5	-
£80,001 to £90,000	-	1	7	4
£90,001 to £100,000	1	-	2	1
£100,001 to £110,000	1	1	1	-
£110,001 to £120,000	1	-	-	-
£120,001 to £130,000	-	2	-	-
£130,001 to £140,000	2	-	-	-
£140,001 to £150,000	-	-	-	-
£150,001 to £160,000	-	-	-	-
£160,001 to £170,000	-	-	-	-
£170,001 to £180,000	-	-	-	-
£180,001 to £190,000	1	1	-	-
£190,001 to £200,000	-	-	-	-
£200,001 to £210,000	-	-	-	-
£210,001 to £220,000	-	-	-	-
Total	7	11	24	14

7. SENIOR POST-HOLDERS' EMOLUMENTS

Senior post-holders are defined as the Chief Executive Officer and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2014 Number	2013 Number
The number of senior post-holders including the CEO was:	8	11
Senior post-holders' emoluments are made up as follows:	£000	£000
Salaries	860	1,007
Benefits in kind	4	4
Pension contributions	123	131
Total emoluments	987	1,142

Financial Statements for the Year Ended 31 July 2014

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

	2014	2013
	£	£
Salaries	182,178	150,244
Benefits in kind	-	-
Pension Contribution	26,870	21,600
Total	209,048	171,844

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/or Local Government 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

	2014	2013
	£000	£000
Teaching costs	12,814	13,609
Teaching support services	1,388	1,161
Other support services	1,534	1,358
Total teaching costs	15,736	16,128
Administration and central services	7,375	5,895
General education expenditure	6,436	5,292
Refectory	480	464
Other income generating activities	875	1,080
Other expenses	(227)	119
Total non teaching costs	14,939	12,850
Premises	5,283	6,835
Total other operating expenses	35,958	35,813

Other operating expenses include:

	2014	2013
	£000	£000
Auditors' remuneration		
- Financial statements and regularity audit	36	36
- non – audit services	95	3
- internal audit	35	35
- other services provided by internal auditors	1	99
Loss on disposal of tangible fixed assets	-	-
Hire of plant and machinery– operating leases	782	708
Hire of other assets – operating leases	1,154	1,646

9. INTEREST PAYABLE

	2014	2013
	£000	£000
On bank loans repayable wholly or partly in more than 5 years	1,445	776
Pension finance costs (note 26)	-	706
Total	1,445	1,482

10. TAXATION

The members do not consider that the College's activities during the year 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 2013	143,194	992	1,425	15,890	161,501
Additions	558	-	1,453	2,608	4,619
Transfers	2,812	-	(2,878)	66	-
Disposals	(474)	-	-	(177)	(651)
At 31 July 2014	146,090	992	-	18,387	165,469
Depreciation					
At 1 August 2013	30,294	81	-	12,959	43,334
Charge for the year	3,245	20	-	1,327	4,592
Eliminated in respect of disposal	(474)	-	-	(172)	(646)
At 31 July 2014	33,065	101	-	14,114	47,280
Net book value					
At 31 July 2014	113,025	891	-	4,273	118,189
Net book value					
At 31 July 2013	112,900	911	1,425	2,931	118,166

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 £21,135,747 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.

Financial Statements for the Year Ended 31 July 2014

12. INVESTMENTS**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 2014 are as follows:

	2014	2013
	£	£
Incoming resources	11,130	11,130
Net outgoing resources	(10,842)	(10,842)
Fixed assets	758,265	780,237
Current assets	223,980	212,850
Current liabilities	(12,930)	(12,930)
Net assets	969,315	980,157

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

Manchester City Council bought One Central Park Limited on 18th June 2014. The college held a 20% share of the company and agreed to sale proceeds of £376,000 which are accrued as part of the Debtors year end balances (Prepayments and accrued income). The final accounts for One Central Park Limited should be completed September 2014 and proceeds distributed in October 2014.

13. DEBTORS

	2014	2013
	£000	£000
Amounts falling due within one year:		
Trade debtors	1,394	1,217
Amounts owed by Joint venture	13	13
Prepayments and accrued income	3,166	2,738
Other debtors	191	40
Total	4,764	4,008

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£000	£000
Bank loans	2,015	2,015
Payments received in advance	6,468	8,524
Amounts owed to the SFA/EFA	-	892
Trade creditors	1,309	3,120
Amounts owed to joint venture undertaking	223	212
Other taxation and social security	3,376	3,230
Other creditors	519	287
Accruals	5,602	6,702
Total	19,512	24,982

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

	2014	2013
	£000	£000
Bank loans	28,065	30,080
Other	276	340
Total	28,341	30,420

16. BORROWINGS**Bank loans**

Bank loans are repayable as follows:-

	2014	2013
	£000	£000
In one year or less	2,015	2,015
Between one and two years	4,030	4,030
Between two and five years	5,860	5,942
In five years or more	18,175	20,108
Total	30,080	32,095

Loans totalling £9.330m 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 £20.750m 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.

Financial Statements for the Year Ended 31 July 2014

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Enhanced pensions £000
At 1 August 2013	2,134
Expenditure in the period	91
Transferred from income and expenditure account	(99)
At 31 July 2014	<u>2,126</u>

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:

	2014	2013
Price inflation	4.06%	3.74%
Discount rate	2.25%	2.50%

18. DEFERRED CAPITAL GRANTS

	Funding body £000	Other Grants £000	Total £000
At 1 August 2013	21,163	5,374	26,537
Cash received	-	68	68
Debtors movement	-	-	-
Creditors movement	532	-	532
Released to income and expenditure account	(733)	(278)	(1,011)
At 31 July 2014	<u>20,962</u>	<u>5,164</u>	<u>26,126</u>

19. REVALUATION RESERVE

	2014 £000	2013 £000
At 1 August	6,149	6,388
Transfer to general reserve:		
Depreciation on revalued assets	(239)	(239)
At 31 July	<u>5,910</u>	<u>6,149</u>

20. MOVEMENT ON GENERAL RESERVES

	2014	2013
	£000	£000
Income and expenditure account reserve at 1 August	53,017	31,277
Surplus retained for the year	3,514	4,365
Transfer from revaluation reserve	239	239
Actuarial (loss)/gain in respect of pension scheme	(8,273)	17,137
At 31 July	48,497	53,017
Balance represented by:		
Pension reserve	(17,925)	(8,887)
Income and expenditure account reserve excluding pension reserve	66,422	61,904
At 31 July	48,497	53,017

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

		2014	2013
		£000	£000
Surplus on continuing operations after depreciation of assets at valuation	Notes	3,514	4,365
Depreciation	11	4,592	4,362
Deferred capital grants released to income	2 & 4	(1,011)	(1,374)
Pension finance interest rec'vble	5	(277)	-
Increase in stocks		-	(1)
Interest payable	9	1,445	776
Pension cost less contributions payable		1,042	2,019
Increase in debtors		(756)	(501)
Decrease in creditors		(5,783)	(6,141)
(Decrease)/increase in provisions		(8)	27
Interest receivable	5	(191)	(153)
Net cash inflow from operating activities		2,567	3,379

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22. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2014 £000	2013 £000
Interest received	191	153
Interest paid	<u>(1,445)</u>	<u>(776)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(1,254)</u>	<u>(623)</u>

23. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2014 £000	2013 £000
Purchase of tangible fixed assets	(3,838)	(5,150)
Sale of tangible fixed assets	5	632
Deferred capital grants received	68	1,460
Net cash outflow from capital expenditure	<u>(3,765)</u>	<u>(3,058)</u>

24. FINANCING

	Note	2014 £000	2013 £000
New secured loans repayable by 2035		-	13,000
Repayment of amounts borrowed		<u>(2,015)</u>	<u>(1,265)</u>
Net cash (outflow)/inflow from financing		<u>(2,015)</u>	<u>11,735</u>

25. ANALYSIS OF CHANGES IN NET DEBT

	2013 £000	Cash flows £000	2014 £000
Cash in hand at bank	29,921	(4,467)	25,454
Debt due within 1 year	(2,015)	-	(2,015)
Debt due after 1 year	<u>(30,080)</u>	<u>2,015</u>	<u>(28,065)</u>
Total	<u>(2,174)</u>	<u>(2,452)</u>	<u>(4,626)</u>

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.

Financial Statements for the Year Ended 31 July 2014

Total pension cost for the year	2014 £000	2013 £000
Teachers' pension scheme: contributions paid	6,134	6,155
Local Government Pension Scheme: Contributions paid	3,769	3,559
FRS 17 charge	<u>1,042</u>	<u>2,019*</u>
Charge to the Income & Expenditure Account (staff costs)	4,811	5,578
Total Pension Cost for Year	<u>10,945</u>	<u>11,733</u>

* £2,019k in 2012/13 includes £706k interest cost charged to non-pay costs and disclosed in note 9. Therefore, the total pension cost for 2012/13 doesn't match the figure disclosed in note 6.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013. Contributions amounting to £1,304,120 (2013 £1,231,118) were payable to the scheme at 31st July 2014 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, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);

Financial Statements for the Year Ended 31 July 2014

- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £6,134,000 (2013: £6,155,000).

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 2014 was £5,292,000 of which employers contributions totalled £3,678,000 and employee's contributions totalled £1,614,000. 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**

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2014 by a qualified independent actuary

	At 31 July 2014	At 31 July 2013
Inflation/Pension Increase Rate	2.5%	2.5%
Salary Increase Rate	3.5%	3.5%
Expected Return on Assets	5.1%	5.1%
Discount Rate	4.3%	4.5%

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

	At 31 July 2014	At 31 July 2013
Retiring Today		
Males	21.4	20.1
Females	24.0	22.9
Retiring in 20 years		
Males	24.0	22.5
Females	26.6	25.0

The assets in the scheme (of which the College's share is estimated to be £119,982,000 at 31 July 2014 and £115,366,000 at 31 July 2013) and the expected rates of return were:

	Long-term rate of return expected at 31 July 14	Value at 31 July 2014 £000	Long-term rate of return expected at 31 July 13	Value at 31 July 2013 £000
Equities	5.7%	85,187	5.7%	83,063
Bonds	3.5%	21,597	3.5%	20,766
Property	3.9%	7,199	3.9%	6,922
Cash	3.0%	5,999	3.0%	4,615
Total Market Value of Assets		119,982		115,366

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

	At 31 July 2014	At 31 July 2013
Equities	71%	72%
Bonds	18%	18%
Property	6%	6%
Cash	5%	4%
	100%	100%

	2014 £000	2013 £000
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Actual return on scheme assets	5,570	19,015
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	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
The College's estimated asset share	119,982	115,366
Present value of scheme liabilities	(137,907)	(124,253)
Deficit in the scheme	(17,925)	(8,887)

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Analysis of the amount charged to income and expenditure account

	2014	2013
	£000	£000
Current service cost	4,445	4,633
Past service cost	5	13
Curtailment and settlements	270	247
Total operating charge	4,720	4,893

Analysis of pension finance cost

	2014	2013
	£000	£000
Expected return on pension scheme assets	(5,952)	(4,553)
Interest on pension liabilities	5,675	5,259
Pension finance (income)/cost	(277)	706

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

	2014	2013
	£000	£000
Actual return less expected return on pension scheme assets	(4,218)	14,442
Change in financial assumptions underlying the scheme liabilities	(4,055)	2,695
Total	(8,273)	17,137

Movement in deficit during year

	2014	2013
	£000	£000
Deficit in scheme at 1 August	(8,887)	(24,005)
Movement in year :		
Current service charge	(4,445)	(4,633)
Employer contributions	3,678	3,580
Past service cost	(5)	(13)
Impact of settlement and curtailments	(270)	(247)
Net finance gain/(cost)	277	(706)
Actuarial (loss)/gain	(8,273)	17,137
Deficit in scheme at 31 July	(17,925)	(8,887)

Asset and Liability Reconciliation

	2014	2013
	£000	£000
Reconciliation of Liabilities		
Liabilities at start of year	124,253	117,398
Service cost	4,445	4,633
Interest cost	5,675	5,259
Employee contributions	1,614	1,573
Actuarial loss/(gain)	4,055	(2,695)
Benefits paid	(2,410)	(2,175)
Past Service cost	5	13
Curtailments and settlements	270	247
	137,907	124,253

	2014	2013
	£000	£000
Reconciliation of Assets		
Assets at start of year	115,366	93,393
Expected return on assets	5,952	4,553
Actuarial (loss)/gain	(4,218)	14,442
Employer contributions	3,678	3,580
Employee contributions	1,614	1,573
Benefits paid	(2,410)	(2,175)
	119,982	115,366

The cumulative actuarial gain and loss recognised in the statement of total recognised gains and losses at 31st July 2014 were a loss of £6,557,000 (2013: gain of £1,716,000).

The estimated value of employer contributions for the year ended 31 July 2015 is £4,068,000.

History of experience gains and losses

	2014	2013	2012	2011	2010
Difference between the expected and actual return on assets:					
Amount £'000	(4,218)	14,442	(3,214)	3,037	5,672
Experience gains and losses on Scheme liabilities:					
Amount £'000	3,053	-	(1,118)	2,453	-
Total amount recognised in STRGL:					
Amount £'000	(8,273)	17,137	(11,330)	8,154	3,641

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 2014 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

	2014	2013
	£000	£000
Commitments contracted for at 31 July	290	1,861

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28. FINANCIAL COMMITMENTS

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

	2014	2013
	£000	£000
Land and buildings		
Expiring within one year	178	187
Expiring between two and five years inclusive	226	33
Expiring in over five years	1,304	1,159
Total	1,708	1,379
Other		
Expiring within 1 year	382	70
Expiring between two and five years inclusive	59	263
Expiring in over five years	293	230
Total	734	563

29. CONTINGENT LIABILITIES

There were no contingent liabilities for the financial year ended 31 July 2014 (2013: 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 (2013: £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 (2013: £12,930) outstanding from MET and MET was owed £222,913 (2013: £211,783) by the College.

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

The College is no longer the Lead Sponsor for The Manchester College Education Trust (Studio school). The Trust changed its name to The Manchester Collegiate Education Trust. Trusteeship of the Trust transferred to the Schools Partnership Trust Academies (SPTA) in accordance with the college's strategic direction to focus on building strong relationships with all schools and academies across Greater Manchester, rather than managing schools and academies directly.

No other transactions were identified which should be disclosed under Financial Reporting Standard 8 Related Party Transactions.

31. LEARNER SUPPORT FUNDS

	2014 £000	2013 £000
Access Funds		
Funding body grants – hardship support	2,327	1,640
Funding body grants – childcare	3,680	3,096
Funding body grants – residential bursary	8	6
Interest earned	9	7
	<u>6,024</u>	<u>4,749</u>
Disbursed to learners	(5,723)	(4,512)
Staffing		
Administration costs	(301)	(237)
Audit fees		
Balance unspent as at 31 July, included in creditors	<u><u>-</u></u>	<u><u>-</u></u>

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.



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.

