



## **Salford City College**

Report and Financial Statements

Year ended 31 July 2013

# **Salford City College Report and Financial Statements for the year ended 31 July 2013**

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# **Salford City College Report and Financial Statements for the year ended 31 July 2013**

## **Operating and Financial Review**

### **NATURE, OBJECTIVES AND STRATEGIES:**

The members present their report and the audited financial statements for the year ended 31 July 2013.

#### **Legal status**

Salford City College was formed on 2 January 2009 from the three existing colleges in Salford. On 1 January 2009 Pendleton College acquired the assets and liabilities of Eccles College and Salford College. This was achieved by the dissolution of the corporations of Eccles College and Salford College and a transfer of their employees, assets and liabilities into Pendleton College under section 27 of the Further and Higher Education Act 1992.

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Pendleton College but it changed its name to Salford City College on 2 January 2009. The College is an exempt charity for the purposes of the Charities Act 2011.

#### **Mission**

Following the creation of Salford City College, the governors reviewed the College's mission and in January 2009 adopted a revised mission statement as follows:

*"Salford City College will inspire and empower people to create and take opportunities to enrich lives through learning.*

*We will do this by harnessing community pride, citizenship, loyalty and enterprise to embrace learning as the key to opportunity and social and economic wellbeing.*

*Underpinning this vision will be a strong sense of team spirit at all levels – staff, students, parents, employers and politicians will exploit opportunities to work together to achieve their personal goals and enrich the overall quality of life in the City.*

#### **Values**

The College will be characterised by:

- *A focus on learners*
- *Transparency*
- *Integrity*
- *Respect*
- *Innovation*
- *Social responsibility*
- *Inclusivity*
- *Unconditional pursuit of excellence*
- *Leading by example*
- *Partnership and collaboration*
- *Celebrating diversity*

#### **Specifically, the College will:**

1. *Proactively promote learning opportunities available at both the college and in the wider community.*
2. *Strive to respond to the demands of individual learners, employees, employers and national priorities by developing a wide range of flexible delivery options.*
3. *Constantly seek to improve and provide learning experiences of outstanding quality."*

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## **Strategic plan**

The key objectives of the strategic plan of the College were:

### Achievement of Targets

- The College identified the target learner numbers across all centres and associated income with the key objective being to achieve the target levels.

### Marketing & Learner Recruitment

- The integration of marketing teams and improved schools and community liaison.
- The further development of links with local employers and other skills agencies.

### Student Support Services

- The commencement of harmonisation and integration of Student Support Services, specifically policies regarding equality and diversity, and Every Child Matters.
- Effectively coordinated and cost-effective student transportation.
- Ensuring that "the learner voice" is incorporated into decision making.

### Curriculum & Quality

#### Sixth Form Colleges

- Ensure efficient delivery of the curriculum plan and targets.
- Undertake effective self-assessment and develop consistency of approach across Salford City College.
- Identify strengths in quality procedures and continue to disseminate best practice across Salford City College.
- Plan to deliver outstanding provision.
- Develop innovative curriculum and delivery.
- Contribute to improving the health of young people.
- Increase the number of young people from low income backgrounds progressing to HE.
- Increase "the learner voice" in decision making.
- Establish a structure to develop the new Diplomas.

#### Skills Division

- Develop new and robust management systems to ensure delivery of targets.
- Develop innovative approaches to:
  - improve employability;
  - contribute to reducing worklessness; and
  - improve qualification levels for adult learners in the city.
- Increase "the learner voice" in decision making.
- Develop new business and curriculum areas.
- Continue to develop apprenticeship option for learners.
- Develop a quality assurance strategy.

### MIS & e-Learning

- Continue the integration and harmonisation of IT across the College.
- Ensure combined data is produced to meet internal and external requirements.
- Develop harmonised management reporting systems.
- Establish common policies regarding data management.
- Develop a strategy for e-learning.

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## Human Resources

- Adopt a single framework for pay and conditions.
- Develop an effective framework for employee relations.
- Harmonise HR policies and practices.
- Attract, retain and develop skilled and well-trained staff.
- Ensure effective continuous skills development of staff.
- Recruit and retain a diverse workforce.
- Provide a healthy and safe working environment.
- Achieve and maintain Investors In People award.

## Resources

### Finance

- Ensure effective financial management and control.
- Develop financial reporting.
- Ensure effective audit.

### Estates

- Develop an effective Capital Strategy and submit to the funding bodies.
- Ensure effective management of the estate, offering value for money and a healthy and safe environment.
- Produce an IT hardware strategy.

The College is on target to achieve these objectives.

## **Financial objectives**

The key ongoing financial objectives are:

- Generation of a surplus revenue position (2012/13: £1,667k surplus excluding effects of FRS 17).
- Achievement of a "good" financial health rating from Skills Funding Agency (2012/13: "outstanding").
- Achievement of a current ratio of 1.0 (2012/13: 1.77).
- Maintenance of cash days of 30 (2012/13: 51).

## **Performance indicators**

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

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

The financial indicators (Financial Health and Financial Management and Control) will continue to be graded and will be reported to providers directly by the relevant funding body. As this direct reporting occurs earlier than Framework for Excellence reporting, these Performance Indicators will no longer be included in the Framework for Excellence Application.

The College is committed to observing the importance of the measures and indicators within the Framework and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency. The current rating of "satisfactory" is considered an acceptable outcome for the College at this point in time.



# Salford City College Report and Financial Statements for the year ended 31 July 2013

## FINANCIAL POSITION

### Financial results

The College generated an operating surplus in the year of £1,162k after FRS 17 pension adjustments (2011/12: surplus of £2,167k). This equates to an operating surplus of £1,667k before FRS 17 pensions adjustments (2011/12: £2,273k surplus). Financial health assessments are based on operating results excluding FRS 17 adjustments.

The College has accumulated reserves (excluding pension reserve) of £22,442k and cash balances of £6,097k. The College wishes to continue to accumulate reserves and cash balances to create a contingency fund.

	2012/13	2011/12	2010/11	2009/10	2008/09
Current ratio	1.77	2.49	2.05	1.18	1.00
Cash days in hand	51	92	65	30	39
Operating surplus (deficit) / income	2.7%	5.2%	6.7%	3.9%	(0.9%)
General reserves / income	56%	49%	45%	37%	48%
Pay costs / income	63.4%	61.3%	62.6%	69.2%	65.9%

Tangible Fixed Asset additions during the year amounted to £7,004k. This was split between land and buildings of £3,412k, property improvements of £1,892k, fixtures and fittings of £668k, motor vehicles of £8k and equipment purchases of £1,024k.

The College continues to rely significantly on the education sector funding bodies as its principal funding source, largely from recurrent grants. In 2012/13 the education sector funding bodies provided 91% of the College's total income (2011/12: 93%).

### Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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

### Cash Flows

The College's operating cash inflow was £3,127k (2011/12: £3,965k). The College achieved an overall net cash outflow of £4,367k after expending £7,004k on the purchase of tangible fixed assets and inflow of £231k which is capital grant received from the Skills Funding Agency.

### Liquidity

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was easily exceeded and the loan covenants were complied with comfortably.

# **Salford City College Report and Financial Statements for the year ended 31 July 2013**

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **Student numbers**

In 2012/13 the College delivered activity against its main funding body allocations as follows:

- 16 – 18 Funding Allocation £26,376k with 5,885 learners (compared to £26,481k with 5,767 learners in 2011/12).
- Adult Skills Budget initial allocation of £7,650k which was increased to £8,828k following the mid year estimate (compared to £8,068k in 2011/12). Final confirmation from the SFA states that the College is due additional payment of £123,218 over and above the revised allocation.
- 16 – 18 Apprentices initial allocation of £792k compared to £787k in 2011/12.
- PCDL Allocations remained constant from 2011/12 with £470k and 2,220 learners

### **Student achievements**

Success rates at the College are excellent.

Level 3 success rates were above the national average at 84% for 16-18 students (2011/12: 86%) and 82% for 19+ students (2011/12 84%).

At A2 Level, students also surpassed the national average pass rate by achieving an overall pass rate of 99% (2011/12: 99%).

### **Value Added**

Value added measures overall student performance, taking into account the number of subjects and the quality of teaching and learning. The T score takes into account difficulty of subject, other factors as well as the quality of teaching and learning. Scores are measured on a scale of 1 – 9 where 1 is “best possible”, 2 is “outstanding”, 3 is “excellent” and 4 is “very good”.

At A level, the College achieved a value added score of 3 (2011/12: 3).

For BTEC the college achieved a value added score of 3 (2011/12: 2).

### **FutureSkills**

As part of the accommodation strategy, the College is continually working to improve the facilities for the learners and align learning opportunities to employer needs. As part of the planned enhancements to the facilities, FutureSkills @ MediaCityUK opened in April 2013. The new centre offers a range of cutting edge courses for those already working in their chosen industry or wanting to get into their chosen industry by having specific skills. The courses will be available for school leavers and adult learners.

The College has entered into a further lease subsequent to the year end for an adjacent property to FutureSkills to develop FutureSkills II.

### **Salford Academy Trust**

Salford City College is the academy sponsor for Salford Academy Trust along with its education partners, Salford University and the local authority. Salford Academy Trust was incorporated on 21 June 2012 as a company limited by guarantee. The Trust has overseen the conversion to Academy status of three schools on the 1 September 2012 – The Albion Academy, Marlborough Road Academy and Dukesgate Academy. The Salford Academy Trust is a related party of Salford City College and transactions with the Trust are included in note 30.

## Salford City College Report and Financial Statements for the year ended 31 July 2013

### Quality of Provision

The College was subjected to an Ofsted Inspection Visit in May 2010, the outcome of which the Corporation regarded as excellent.

The Inspectors made a judgement on a four-point scale:

1. Outstanding (Grade 1).
2. Good (Grade 2).
3. Satisfactory (Grade 3).
4. Inadequate (Grade 4).

At the end of the visit, the Inspectors graded the College as:

Area	Grade
Overall effectiveness of provision	Grade 2 / Good
Capacity to improve	Grade 1 / Outstanding
Outcomes for learners	Grade 2 / Good
Quality of provision	Grade 2 / Good
Leadership and management	Grade 2 / Good
Safeguarding	Grade 2 / Good
Equality and diversity	Grade 1 / Outstanding
Subject area	
Health, public services and care	Grade 2 / Good
Science and mathematics	Grade 2 / Good
Construction, planning and the built environment	Grade 2 / Good
Arts, media and publishing	Grade 2 / Good
Languages, literature and culture	Grade 2 / Good
Business, administration and law	Grade 2 / Good

The outcome of the Inspection Visit was excellent, considering that full College data was not available for inspection and the fact that the College was only some 18 months old, the achievement of a Grade 2 (Good) overall was a fantastic result and was credit to all the hard work of teaching and non teaching staff and demonstrated that our learners are already feeling the benefit from the "merger".

The College continues to monitor progress against any recommendations made and ensure that high standards are maintained.

### Staff and student involvement

The College believes good communication with its staff and students to be very important. There is an effective communication strategy, which includes staff meetings, a regular staff newsletter and weekly team briefings. Formal representation of staff is through the recognised trade unions. In addition, staff are able to elect two staff Governors. There is also a regular student newsletter and two student representatives on the Governing Body. Each year students are invited to give feedback to the College through enrolment, induction and learner satisfaction surveys.



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## **RESOURCES**

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

Tangible resources include the main college sites at Dronfield Road, Lissadel Street and Merchant's Quay in Salford, Chatsworth Road in Eccles and Walkden Road in Worsley. In addition to these main sites, the needs of learners are met in a number of community based venues around the Salford area.

### **Financial**

The College has £31.6 million of net assets (excluding pension liabilities) and total long term debt of £5.4 million which includes £0.5 million due within one year.

### **People**

The College employed an average of 816 people (expressed as full time equivalents), of whom 435 were teaching staff.

### **Reputation**

The College has an outstanding reputation locally and nationally. Maintaining brands is essential for the College's success at attracting students and external relationships. Salford City College continues to market its sixth form provision under the banners of the former colleges: Eccles College and Pendleton College.

### **Curriculum Developments**

The creation of Salford City College created significant curriculum synergies in that the learners from all centres now have access to additional areas of learning.

The ambition of the College is to create a curriculum and supporting infrastructure which is distinctive and meets the needs of individual learners. The College has three sixth form centres, together with a range of vocational skills centres placed in areas of defined need.

## **KEY RISKS AND UNCERTAINTIES**

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by a risk management training programme to raise awareness of risk throughout the College.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

### **Government funding**

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2012/13, 91% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

## **Salford City College Report and Financial Statements for the year ended 31 July 2013**

The College understands the main impact on future funding:

- The changing funding formulae for both the EFA and SFA may impact on the total income received by the College.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements.
- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with the funding bodies.
- Exploring potential new income streams to underpin the College's income levels.

### **Tuition fee policy**

Ministers have confirmed that the fee assumption remains at 50% in 2012/13. In line with the majority of other colleges, Salford City College will seek to increase tuition fees in accordance with the fee assumptions. The price elasticity of adult learning for the College is not yet fully understood. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses as prices change.

### **Maintain adequate funding of pension liabilities**

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 17.

## **STAKEHOLDER RELATIONSHIPS**

In line with other colleges and with universities, Salford City College has many stakeholders. These include:

- students;
- education sector funding bodies;
- staff;
- local employers (with specific links);
- local authorities;
- government offices/ Regional Development Agencies/LEPs;
- University of Salford;
- the local community;
- other FE institutions;
- trades unions; and
- professional bodies.

The College recognises the importance of these relationships and engages in regular communication with its stakeholders. The College has representatives on a number of key groups and leads in many of these areas.

### **Environmental statement**

Salford City College accepts its responsibility to protect and conserve the college environment. As a provider of high quality education we seek to promote a sound awareness and understanding of local, national and global environmental issues and conduct our activities in an environmentally friendly manner.

### **Diversity, equal opportunities and employment of disabled persons**

Salford City College is fully committed to delivering equality of opportunity for all its students and staff, to eliminate all forms of unfair and illegal discrimination as well as all forms of harassment and victimisation. The



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College has developed a Single Equality Scheme and Action Plan which provides an overview in regard to how the College will meet its equality duty, how the College will handle any cases of harassment and unlawful discrimination, how policies, processes and plans will be monitored for adverse impact, how the overall practice and outcomes of the College will be monitored and how action will be planned and delivered to address any concerns that are identified.

The Single Equality Scheme supports the Salford City College equality policies: Gender Equality Policy, Race Equality Policy, Age Discrimination Policy, Disability Equality Policy, Religious Beliefs and Sexual Orientation Policy. The College will meet these duties through the development of the Single Equality Scheme Action Plan.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by managers and governors.

### **Disability statement**

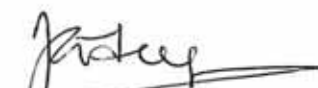
The college seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Needs and Disability Acts 2001 & 2005.

1. As part of the redevelopment of the buildings it is installing ramps so that eventually most of the facilities will allow access to people with a disability (insofar as is practical).
2. There is a list of specialist equipment, such as audio visual facilities, which the College can make available for use by students.
3. The admissions policy for all students is described in the College Charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
4. The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can 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.
5. Counselling and welfare support services are described in the College Charter.
6. A Dyslexia Specialist has been appointed to assist students.

### **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 16 December 2013 and signed on its behalf by:



**J. Flynn**  
Chair

# Salford City College Report and Financial Statements for the year ended 31 July 2013

## Professional advisers

Financial Statements and Regularity Auditors	Grant Thornton UK LLP 4 Hardman Square Spinningfields Manchester M3 3EB
Internal Auditors	Baker Tilly Steam Mill Chester CH3 5AN
Bankers	Lloyds Bank plc 1st Floor 31-32 Park Row Leeds LS1 5JD
	Barclays Bank plc PO Box 4132 5 <sup>th</sup> Floor 51 Mosley Street Manchester M60 1UB
Solicitors	DWF LLP Solicitors Centurion House 129 Deansgate Manchester M2 3WQ
	Walker Morris Kings Court 12 King Street Leeds LS1 2HL



## **Salford City College Report and Financial Statements for the year ended 31 July 2013**

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

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

The College endeavours to conduct its business:

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

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

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

## Salford City College Report and Financial Statements for the year ended 31 July 2013

### The Corporation

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

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Corporation meeting attendance
Blean Azeez	Appointed 17/12/12	4 years		Student	Human Resources, Standards	6/8
Keith Barnes	Reappointed 01/08/13	4 years		Independent member	Audit	5/7
Cllr Paula Boshell	Appointed 09/07/12	4 years		Independent member	Audit	1/7
Barrie Breward	Appointed 07/12/09	4 years	Appointment expired 31/07/13	Independent member	Engagement, Regeneration & Renewal	3/7
John Buckley	Reappointed 01/08/13	4 years		Independent member	Audit (Vice Chair), Capital, Engagement, Regeneration & Renewal	9/11
Jackie Flynn	Reappointed 01/08/13	4 years		Independent member	<b>Chair of Corporation,</b> Strategy & Finance (Chair), Remuneration (Chair), Capital Engagement Regeneration & Renewal, Human Resources.	16/16
Ann Gavin Daley	Reappointed 01/08/12	4 years		Independent member	Human Resources (Chair), Standards (Vice Chair), Capital, Remuneration, Engagement Regeneration & Renewal	17/19
Lindsay Harford	Reappointed 01/08/12	4 years		Independent member	Standards (Chair), Strategy & Finance, Engagement Regeneration & Renewal	12/13
Peter Henry	Appointed 13/02/12	4 years		Independent member	Engagement Regeneration & Renewal	5/7
Sue Hilton	Reappointed 01/08/11	4 years		Staff	Search, Audit	10/10
Paul Johnson	Appointed 01/05/12	4 years		Independent member	Audit (Chair), Remuneration	6/8
Dieu Merci Kabwe	Appointed 17/12/12	4 years		Student	Human Resources, Standards	3/8
David Millington	Reappointed 05/07/10	4 years	Resigned 18/03/13	Independent member	Chair of the Corporation Capital (Chair), Search, Engagement Regeneration & Renewal, Remuneration (Chair), Strategy & Finance (Chair) (all until resignation)	6/9
Professor Carole Roberts	Reappointed 01/08/12	4 years		Independent member	Engagement Regeneration & Renewal (Chair), Strategy & Finance (Vice Chair), Capital, Human Resources, Remuneration	14/15

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Noel Ruane	Appointed 11/07/11	4 years	Resigned 13/06/13	Independent member	Engagement Regeneration & Renewal	0/7
Martin Sim				Principal	All except Audit and Remuneration	20/20
Pat Walkington	Reappointed 01/08/10	4 years		Independent member	<b>Vice Chair of Corporation,</b> Search (Chair), Human Resources (Vice Chair), Capital, Strategy & Finance, Remuneration	14/15
Debbie Ward	Appointed 30/03/09	4 years	Appointment expired 31/03/13	Staff	Standards	4/4

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Strategy & Finance, Human Resources, Remuneration, Search, Standards, Engagement Regeneration & Renewal, Capital and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Salford City College  
Worsley Centre  
Walkden Road  
Worsley  
M28 7QD

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

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

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

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

There is a clear division of responsibility in that the roles of the Chairman and Principal are separate.

### Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, which is responsible for the selection and nomination of any new



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member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

### **Remuneration Committee**

In the year ending 31 July 2013, the College's remuneration committee membership comprised five members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.

Details of remuneration for the year ended 31 July 2013 are set out in note 7 to the financial statements.

### **Audit Committee**

The Audit Committee comprises five members of the Corporation (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

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

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

### **Internal control**

#### ***Scope of responsibility***

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Salford City College and the funding bodies. He is also responsible for reporting to the Corporation 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 Salford City College for the year ended 31 July 2013 and up to the date of approval of the annual report and accounts.



## **Salford City College Report and Financial Statements for the year ended 31 July 2013**

### ***Capacity to handle risk***

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

### ***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 governing body;
- regular reviews by the governing body 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.

Salford City College has an internal audit service, which operates in accordance with the requirements of the *Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body 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.

## Salford City College Report and Financial Statements for the year ended 31 July 2013

### **Review of effectiveness**

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His 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 (for colleges subject to funding audit) in their management letters and other reports.

The Principal 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 Principal and senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal and 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 Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2013 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2013 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2013.

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

### **Going concern**

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 16 December 2013 and signed on its behalf by:

J. Flynn  
Chair



M. Sim  
Principal



## **Salford City College Report and Financial Statements for the year ended 31 July 2013**

### **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 agreed between the Skills Funding Agency / EFA and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and with the Accounts Direction for 2012-13 financial statements issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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


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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the Skills Funding Agency / EFA are used only in accordance with the Financial Memorandum with the Skills Funding Agency / EFA and any other conditions 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 16 December 2013 and signed on its behalf by:

  
J. Flynn  
Chair



# **Salford City College Report and Financial Statements for the year ended 31 July 2013**

## **Independent auditor's report to the Corporation of Salford City College**

We have audited the financial statements ("the financial statements") of Salford City College for the year ended 31 July 2013 which comprise of 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) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

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

### **Respective responsibilities of the members of the Corporation of Salford City College and auditor**

As described in the Statement Responsibilities of the Members of the Corporation set out on page 17, the college's Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

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

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

### **Opinion on financial statements**

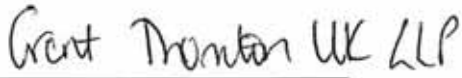
In our opinion the financial statements:

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

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

In our opinion:

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

  
**Grant Thornton UK LLP**  
Statutory Auditor  
Chartered Accountants  
Manchester

  
**Date**



## **Salford City College Report and Financial Statements for the year ended 31 July 2013**

### **Independent Auditor's report on Regularity to the Corporation of Salford City College ('The Corporation') and the Chief Executive of Skills Funding Agency**

In accordance with the terms of our engagement letter dated 23 November 2012 and further to the requirements of the Chief Executive of Skills Funding Agency, we have performed procedures to obtain assurance about whether, in all material respects, the expenditure disbursed and income received of Salford City College ('the College') for the year ended 31 July 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

#### **Respective responsibilities of the Members of the Corporation of Salford City College and Auditors**

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

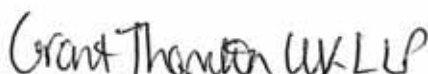
Our responsibilities for this work are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice as amended by the Joint Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council. We report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

#### **Basis of opinion**

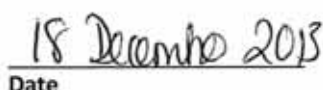
We conducted our work in accordance with the Audit Code of Practice as amended by the Joint Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council. Our work includes examination, on a test basis, of evidence relevant to the regularity and propriety of the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

#### **Opinion**

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



Grant Thornton UK LLP  
Statutory Auditor  
Chartered Accountants  
Manchester

  
Date

**Salford City College Income & Expenditure Account  
for the year ended 31 July 2013**

	Notes	£'000	2013 £'000	£'000	2012 £'000
<b>INCOME</b>					
Funding body grants	2		39,837		40,375
Tuition fees and education contracts	3		1,199		1,181
Other income	4		2,732		1,887
Investment income	5		<u>38</u>		<u>27</u>
<b>Total Income</b>			<b>43,806</b>		<b>43,470</b>
<b>EXPENDITURE</b>					
Staff costs	6	27,630		26,672	
Exceptional restructuring costs	6	163		86	
Other operating expenses	8	12,289		12,548	
Depreciation of tangible fixed assets	11	2,018		1,624	
Interest payable and other finance costs	9	<u>544</u>		<u>373</u>	
<b>Total Expenditure</b>			<b><u>42,644</u></b>		<b><u>41,303</u></b>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax			1,162		2,167
Loss on disposal of assets			<u>-</u>		<u>-</u>
Surplus on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax			1,162		2,167
Taxation	10		<u>-</u>		<u>-</u>
<b>Surplus for the year retained within general reserves</b>	20		<b><u>1,162</u></b>		<b><u>2,167</u></b>

The income and expenditure account is solely in respect of continuing activities.

The notes on pages 24 to 42 form part of the financial statements.

**Salford City College Statement of Historical Cost Surpluses and Deficits  
for the year ended 31 July 2013**

	Notes	2013 £'000	2012 £'000
Surplus on continuing operations before taxation		1,162	2,167
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	41	41
<b>Historical cost surplus for the year after taxation</b>		<b>1,203</b>	<b>2,208</b>

**Salford City College Statement of Total Recognised Gains and Losses  
for the year ended 31 July 2013**

		2013 £'000	2012 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax		1,162	2,167
Actuarial gain/(loss) in respect of pension scheme	20	2,661	(4,560)
<b>Total recognised gains/(losses) since last report</b>		<b>3,823</b>	<b>(2,393)</b>
<b>Reconciliation:</b>			
Opening reserves		12,389	14,782
Total recognised gains/(losses) for the year		3,823	(2,393)
<b>Closing reserves</b>		<b>16,212</b>	<b>12,389</b>

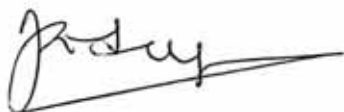
The notes on pages 24 to 42 form part of the financial statements.

# Salford City College Balance Sheet as at 31 July 2013

	Notes	2013 £'000	2012 £'000
Tangible assets	11	33,693	28,707
Investments	12	-	-
<b>Total fixed assets</b>		<b>33,693</b>	<b>28,707</b>
<b>Current assets</b>			
Stocks		12	7
Debtors	13	1,041	1,224
Cash at bank and in hand		6,097	10,464
<b>Total current assets</b>		<b>7,150</b>	<b>11,695</b>
<b>Less: Creditors – amounts falling due within one year</b>	14	<b>(4,040)</b>	<b>(4,699)</b>
<b>Net current assets</b>		<b>3,110</b>	<b>6,996</b>
<b>Total assets less current liabilities</b>		<b>36,803</b>	<b>35,703</b>
<b>Less: Creditors – amounts falling due after more than one year</b>	15	<b>(4,995)</b>	<b>(5,506)</b>
<b>Less: Provisions for liabilities</b>	17	<b>(229)</b>	<b>(223)</b>
<b>Net assets excluding pension liability</b>		<b>31,579</b>	<b>29,974</b>
<b>Net pension liability</b>	26	<b>(7,061)</b>	<b>(9,217)</b>
<b>Net assets including pension liability</b>		<b>24,518</b>	<b>20,757</b>
<b>Deferred capital grants</b>	18	<b>8,306</b>	<b>8,368</b>
Income and expenditure account excluding pension reserve	20	22,442	20,734
Pension reserve	26	(7,061)	(9,217)
Income and expenditure account including pension reserve	20	15,381	11,517
Revaluation reserve	19	831	872
<b>Total reserves</b>		<b>16,212</b>	<b>12,389</b>
<b>TOTAL FUNDS</b>		<b>24,518</b>	<b>20,757</b>

The financial statements were approved by the Corporation on 16 December 2013 and were signed on its behalf on that date by:

J. Flynn  
Chair


  
M. Sim  
Principal

The notes on pages 24 to 42 form part of the financial statements.



**Salford City College Cash Flow Statement  
for the year ended 31 July 2013**

	Notes	2013 £'000	2012 £'000
<b>Cash inflow from operating activities</b>	21	3,127	3,965
Returns on investments and servicing of finance	22	(251)	(283)
Capital expenditure and financial investment	23	(6,774)	(351)
Financing	24	<u>(469)</u>	<u>(429)</u>
<b>(Decrease)/increase in cash in the year</b>	25	<b><u>(4,367)</u></b>	<b><u>2,902</u></b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/increase in cash in the year		(4,367)	2,902
Cash outflow in respect of loan repayments	24	<u>469</u>	<u>429</u>
Movement in net funds in the year		(3,898)	3,331
Net funds at 1 August	25	<u>4,577</u>	<u>1,246</u>
<b>Net funds at 31 July</b>	25	<b><u>679</u></b>	<b><u>4,577</u></b>

The notes on pages 24 to 42 form part of the financial statements.

# **Salford City College Report and Financial Statements for the year ended 31 July 2013**

## **Notes to the Accounts**

### **1. Statement of accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### **Basis of preparation**

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

#### **Business combinations**

Pendleton College entered into a business combination with Salford College and Eccles College in 2009. In accordance with the Accounts Direction Handbook in issue at the time, the transaction was accounted for as a gift of the assets and liabilities of Salford College and Eccles College to Pendleton College, with the resulting gain recognised in the Statement of Total Recognised Gains and Losses.

#### **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.

The College has one subsidiary company, E4Jobs Limited, which was incorporated on 6 May 2011. E4Jobs Limited has commenced trading during the year. However, the College has elected not to prepare consolidated financial statements on the basis that the results of the subsidiary at 31 July 2013 are immaterial to the Group.

#### **Going concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £5.4m of unsecured loans outstanding with bankers. In addition the College has £6.1m cash available. The College's forecasts and financial projections indicate that it will be able to operate within the terms of its existing facilities and respective covenant requirements for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

#### **Recognition of income**

The recurrent grant from Higher Education Funding Council for England (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.

## **Salford City College Report and Financial Statements for the year ended 31 July 2013**

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

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

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

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

### **Post retirement benefits**

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable 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 LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

### **Enhanced pensions**

The actual cost of any enhanced ongoing 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.

### **Land and buildings**

Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. In compliance with relevant accounting standards the buildings inherited from the local authority are depreciated over the remainder of their useful economic life. Capitalised expenditure on buildings since incorporation is depreciated on a straight line basis at 10% per annum. 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 not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.



## **Salford City College Report and Financial Statements for the year ended 31 July 2013**

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

### **Subsequent expenditure on fixed assets**

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure 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 has subsequently improved.
- Asset capacity increases.
- Substantial improvement in the quality of output or reduction in operating costs.
- Significant extension of the assets life beyond that conferred by repairs and maintenance.

### **Equipment**

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the year of acquisition, unless it is of significant operating value to the College in which case the asset is recorded in the college's asset register and depreciated over its useful economic life. All other equipment with a cost in excess of £1,000 is capitalised at cost. Capitalised equipment is depreciated on a straight line basis over its useful economic life as follows:

Motor vehicles and general equipment - 20% per annum.

Fixtures and fittings - 20% per annum.

Computer equipment - 33% per annum.

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

### **Leased assets**

Costs in respect of operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

### **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.

### **Taxation**

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

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

## **Salford City College Report and Financial Statements for the year ended 31 July 2013**

### **Liquid resources**

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

### **Provisions**

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

### **Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in Note 31, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs staff dedicated to the administration of Learner Support fund applications and payments.

**Salford City College Notes to the Accounts (continued)**  
**for the year ended 31 July 2013**

**2 Funding body grants**

	2013 £'000	2012 £'000
EFA - Recurrent grant	28,939	29,585
Skills Funding Agency - Recurrent grant	8,928	8,489
HEFCE - Recurrent grant	215	321
Skills Funding Agency - Non recurrent grants	1,463	1,657
Releases of deferred capital grants (note 18)	292	323
<b>Total</b>	<b>39,837</b>	<b>40,375</b>

**3 Tuition fees and education contracts**

	2013 £'000	2012 £'000
Tuition fees	389	330
Education contracts	810	851
<b>Total</b>	<b>1,199</b>	<b>1,181</b>

**4 Other Income**

	2013 £'000	2012 £'000
Residences, catering and conferences	1,028	692
Other income generating activities	1,139	696
Other grants and contracts	206	135
ESF Co-financing	2	88
Other income	357	276
<b>Total</b>	<b>2,732</b>	<b>1,887</b>

**5 Investment income**

	2013 £'000	2012 £'000
Other interest receivable	38	27



**Salford City College Notes to the Accounts (continued)**  
**for the year ended 31 July 2013**

**6 Staff costs**

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

	2013 No.	2012 No.
Teaching staff	435	435
Non teaching staff	381	369
	<b>816</b>	<b>804</b>

**Staff costs for the above persons**

	2013 £'000	2012 £'000
Wages and salaries	22,791	22,266
Social security costs	1,746	1,708
Other pension costs (incl. FRS17 adjustments £250k (2012: £43k))	2,853	2,596
<b>Payroll sub total</b>	<b>27,390</b>	<b>26,570</b>
Contracted out staffing services	240	102
<b>Pay sub total</b>	<b>27,630</b>	<b>26,672</b>
Exceptional restructuring costs	163	86
<b>Total</b>	<b>27,793</b>	<b>26,758</b>

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

	Senior post-holders		Other staff	
	2013 No.	2012 No.	2013 No.	2012 No.
£60,001 to £70,000	-	-	-	-
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	2	2	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	2	2	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	1	-	-
£140,001 to £150,000	1	-	-	-
	<b>5</b>	<b>5</b>	<b>-</b>	<b>-</b>

**Salford City College Notes to the Accounts (continued)**  
**for the year ended 31 July 2013**

**7 Senior post-holders' emoluments**

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

	2013 No.	2012 No.
The number of senior post-holders including the Principal was:	<u>5</u>	<u>5</u>
Senior post-holders' emoluments are made up as follows:		
	2013 £'000	2012 £'000
Salaries	524	516
Pension contributions	<u>76</u>	<u>75</u>
<b>Total emoluments</b>	<u><b>600</b></u>	<u><b>591</b></u>

The above emoluments include amounts payable to both the current and the former Principal (who was also the highest paid senior post-holder) of:

	2013 £'000	2012 £'000
<b>Principal</b>		
Salaries	142	139
Pension contributions	<u>20</u>	<u>20</u>
	<u><b>162</b></u>	<u><b>159</b></u>

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

The members of the Corporation other than the Principal and the staff members (as disclosed in the members list on pages 12 - 13) did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

**Salford City College Notes to the Accounts (continued)**  
**for the year ended 31 July 2013**

**8 Other operating expenses**

	2013 £'000	2012 £'000
Teaching costs	2,990	4,425
Non teaching costs	6,142	5,067
Premises costs	3,157	3,056
<b>Total</b>	<b>12,289</b>	<b>12,548</b>

**Other operating expenses include:**

	2013 £'000	2012 £'000
Auditors' remuneration:		
Financial statements audit	28	25
Internal audit	24	24
Other services provided by the financial statements auditors	7	8
Losses on disposal of tangible fixed assets (where not material)	-	-
Hire of other assets – operating leases	582	389

**9 Interest payable and other finance costs**

	2013 £'000	2012 £'000
On bank loans, overdrafts and other loans:		
Repayable within five years, by instalments	14	27
Repayable wholly or partly in more than five years	275	283
FRS 17 interest costs (note 26)	255	63
<b>Total</b>	<b>544</b>	<b>373</b>

**10 Taxation**

The College is not liable for any tax arising out of its activities for the year.



**Salford City College Notes to the Accounts (continued)**  
**for the year ended 31 July 2013**

**11 Tangible fixed assets**

	Freehold Land and Buildings £'000	Property Improvements £'000	Fixtures & Fittings £'000	Equipment £'000	Motor Vehicles £'000	Total £'000
<b>Cost or valuation</b>						
At 1 August 2012	33,939	837	2,643	7,868	48	45,335
Additions	3,412	1,892	668	1,024	8	7,004
Disposals	-	-	-	(1)	-	(1)
<b>At 31 July 2013</b>	<b>37,351</b>	<b>2,729</b>	<b>3,311</b>	<b>8,891</b>	<b>56</b>	<b>52,338</b>
<b>Depreciation</b>						
At 1 August 2012	8,082	41	1,740	6,745	20	16,628
Charge for the year	804	194	291	721	8	2,018
Elimination in respect of disposals	-	-	-	(1)	-	(1)
<b>At 31 July 2013</b>	<b>8,886</b>	<b>235</b>	<b>2,031</b>	<b>7,465</b>	<b>28</b>	<b>18,645</b>
<b>Net book value at 31 July 2013</b>	<b>28,465</b>	<b>2,494</b>	<b>1,280</b>	<b>1,426</b>	<b>28</b>	<b>33,693</b>
<b>Net book value at 31 July 2012</b>	<b>25,857</b>	<b>795</b>	<b>903</b>	<b>1,123</b>	<b>28</b>	<b>28,707</b>

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly the book values at implementation have been retained.

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 and buildings with a net book value of £3,204,259 (2012: £3,291,293) 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, to surrender the proceeds.

If land and buildings had not been revalued they would have been included at the following historical cost net book value amount of £26,658k.

**Salford City College Notes to the Accounts (continued)**  
**for the year ended 31 July 2013**

**12 Investments**

	2013 £'000	2012 £'000
Investment in subsidiary company	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

The College owns 100% of the issued ordinary £1 shares of E4Jobs Limited, a company incorporated in England and Wales. E4Jobs Limited was incorporated on 6 May 2011. E4Jobs commenced trading during the year. The principal activity is as an Apprenticeship Training Agency. E4Jobs generated a loss for the year of £4k and has a net deficit of £4k at 31 July 2013.

**13 Debtors**

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Trade debtors	340	234
Related party debtors (note 30)	7	81
Intercompany debtors	5	-
Prepayments and accrued income	689	909
<b>Total</b>	<b>1,041</b>	<b>1,224</b>

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

	2013 £'000	2012 £'000
Bank loans (note 16)	475	468
Payments received in advance	185	327
Trade creditors	676	1,029
Other taxation and social security	641	584
Accruals and deferred income	1,678	1,929
Other creditors	385	362
<b>Total</b>	<b>4,040</b>	<b>4,699</b>

**15 Creditors: amounts falling due after one year**

	2013 £'000	2012 £'000
Bank loans (note 16)	4,943	5,419
Other taxation and social security	52	87
<b>Total</b>	<b>4,995</b>	<b>5,506</b>

**Salford City College Notes to the Accounts (continued)  
for the year ended 31 July 2013**

**16 Borrowings**

**Bank loans**

Bank loans are repayable as follows:

	2013 £'000	2012 £'000
In one year or less	475	468
Between one and two years	142	475
Between two and five years	474	449
In five years or more	4,327	4,495
<b>Total</b>	<b>5,418</b>	<b>5,887</b>

At 31 July 2013, the College had two bank loan facilities: £1,700,000 unsecured loan at 2.0% over 3 month LIBOR repayable over 5 years by quarterly instalments and a £5,375,000 unsecured loan at a fixed rate of 5.367% falling due between August 2009 and May 2034.

**17 Provisions for liabilities and charges**

**Enhanced  
pensions  
£'000**

At 1 August 2012	223
Expenditure in the year	(15)
Transferred from income and expenditure account	21
<b>At 31 July 2013</b>	<b>229</b>

The enhanced pension provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance provided by the Association of Colleges.

The principal assumptions for this calculation are:

	2013	2012
Price inflation	4.28%	3.89%
Discount rate	2.50%	2.50%



**Salford City College Notes to the Accounts (continued)  
for the year ended 31 July 2013**

**18 Deferred capital grants**

Funding body  
grants  
£'000

At 1 August	8,368
Cash received in the year	230
Released to income and expenditure account	(292)
	<hr/>
<b>At 31 July</b>	<b>8,306</b>

**19 Revaluation reserve**

2013  
£'000

2012  
£'000

At 1 August	872	913
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets	(41)	(41)
	<hr/>	<hr/>
<b>At 31 July</b>	<b>831</b>	<b>872</b>

**20 Movement on general reserves**

2013  
£'000

2012  
£'000

<b>Income and expenditure account reserve</b>		
At 1 August	11,517	13,869
Surplus retained for the year	1,162	2,167
Transfer from revaluation reserve	41	41
Actuarial gains/(losses) in respect of pension scheme (note 26)	2,661	(4,560)
	<hr/>	<hr/>
<b>At 31 July</b>	<b>15,381</b>	<b>11,517</b>
 <b>Balance represented by:</b>		
Pension reserve	(7,061)	(9,217)
Income and expenditure account excluding pension reserve	22,442	20,734
	<hr/>	<hr/>
<b>Income and expenditure account including pension reserve</b>	<b>15,381</b>	<b>11,517</b>

**Salford City College Notes to the Accounts (continued)**  
**for the year ended 31 July 2013**

**21 Reconciliation of consolidated operating surplus to net cash inflow from operating activities**

	2013 £'000	2012 £'000
Surplus on continuing operations after depreciation of assets at valuation	1,162	2,167
Depreciation (notes 1 and 11)	2,018	1,624
Deferred capital grants released to income (note 18)	(292)	(323)
Loss on disposal of tangible fixed assets	-	-
Interest payable (note 9)	289	310
Interest receivable (note 5)	(38)	(27)
Increase in stocks	(5)	(1)
Decrease/(increase) in debtors	183	(449)
(Decrease)/increase in creditors	(701)	550
Increase in provisions	6	8
Pension cost less contributions payable (notes 6 and 26)	250	43
FRS 17 pension interest charge (note 9)	255	63
<b>Net cash inflow from operating activities</b>	<b>3,127</b>	<b>3,965</b>

**22 Returns on investments and servicing of finance**

	2013 £'000	2012 £'000
Other interest received	38	27
Interest paid	(289)	(310)
<b>Net cash outflow from returns on investment and servicing of finance</b>	<b>(251)</b>	<b>(283)</b>

**23 Capital expenditure and financial investment**

	2013 £'000	2012 £'000
Purchase of tangible fixed assets	(7,004)	(2,351)
Capital grants received	230	2,000
Proceeds from sale of tangible fixed assets	-	-
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(6,774)</b>	<b>(351)</b>

**24 Financing**

	2013 £'000	2012 £'000
Debt due beyond a year:		
Repayment of amounts borrowed	(469)	(429)
<b>Net cash outflow from financing</b>	<b>(469)</b>	<b>(429)</b>

**Salford City College Notes to the Accounts (continued)**  
**for the year ended 31 July 2013**

**25 Analysis of changes in net funds**

	At 1 August 2012	Cash flows	At 31 July 2013
	£'000	£'000	£'000
Cash in hand, and at bank	10,464	(4,367)	6,097
	<u>10,464</u>	<u>(4,367)</u>	<u>6,097</u>
Debt due within 1 year	(468)	(7)	(475)
Debt due after 1 year	<u>(5,419)</u>	<u>476</u>	<u>(4,943)</u>
<b>Net funds</b>	<b><u>4,577</u></b>	<b><u>(3,898)</u></b>	<b><u>679</u></b>

There were no major non-cash transactions in the year.

**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 Local Government pension Scheme (LGPS) for non teaching staff, which is managed by Tameside Council. Both are defined-benefit schemes.

	2013	2012
	£'000	£'000
<b>Total pension cost for the year</b>		
Teachers Pension Scheme: contributions paid	1,637	1,558
Local Government Pension Scheme:		
Contributions paid	945	973
FRS 17 charge	<u>250</u>	<u>43</u>
Charge to the Income and Expenditure Account (staff costs)	1,195	1,016
Enhanced pension charge to Income and Expenditure Account (staff costs)	<u>21</u>	<u>22</u>
<b>Total pension cost for the year</b>	<b><u>2,853</u></b>	<b><u>2,596</u></b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2010. At 31 July, contributions amounting to £332,000 (2012: £315,000) were payable to the scheme and are included in creditors.

**Teachers' Pension Scheme**

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

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



## Salford City College Notes to the Accounts (continued) for the year ended 31 July 2013

### Valuation of the Teachers' Pension Scheme

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

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

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

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

### Scheme Changes

From 1 April 2012 to 31 March 2013, a revised eight tier salary and employee contribution rate structure was introduced with the employee contribution rate ranging between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate have taken place with the employee rates for 2013-14 now ranging between 6.4% and 11.2%. The employer contribution remains at the current rate of 14.1%.

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

The Proposed Final Agreement can be found at:

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

The pension costs paid to TPS in the year amounted to £1,637,000 (2012: £1,558,000).

### 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 and liabilities of the scheme.

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

### Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2013 was £1,308,000 of which employer's contributions totalled £945,000 and employees' contributions totalled £363,000. The agreed contribution rates for future years are 16.6% for employers, and range from 5.5% to 7.5% for employees, depending on salary.

**Salford City College Notes to the Accounts (continued)**  
**for the year ended 31 July 2013**

**FRS17**

**Principal Actuarial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2010 updated to 31 July 2013 by a qualified independent actuary

	At 31 July 2013	At 31 July 2012
Rate of increase in salaries	4.6%	4.0%
Inflation assumption (CPI)	2.8%	2.2%
Discount rate for scheme liabilities	4.6%	4.1%
Rate of increase for pensions	2.8%	2.2%
Expected return on assets	5.8%	4.7%
Commutation of pensions to lump sums	50.0%	50.0%

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

	At 31 July 2013	At 31 July 2012
Current Pensioners		
Males	20.1	20.1
Females	22.9	22.9
Future Pensioners		
Males	22.5	22.5
Females	25.0	25.0

	At 31 July 2013		At 31 July 2012	
	Long-term rate of return expected	Fair value £'000	Long-term rate of return expected	Fair value £'000
Equities	6.5%	18,581	5.5%	13,765
Bonds	3.7%	4,645	3.3%	4,380
Property	4.6%	1,548	3.7%	1,043
Cash	3.4%	1,032	2.8%	1,669
<b>Total market value of assets</b>		<b>25,806</b>		<b>20,857</b>
Present value of scheme liabilities				
Present value of funded scheme liabilities		(32,867)		(30,074)
<b>Deficit in the scheme</b>		<b>(7,061)</b>		<b>(9,217)</b>

**Salford City College Notes to the Accounts (continued)  
for the year ended 31 July 2013**

**26 Pension and similar obligations (continued)**

Analysis of the amount charged to income and expenditure account	2013 £'000	2012 £'000
Service cost	1,195	1,016
<b>Total operating charge</b>	<b>1,195</b>	<b>1,016</b>
Analysis of pension finance costs	2013 £'000	2012 £'000
Expected return on pension scheme assets	997	1,237
Interest on pension liabilities	(1,252)	(1,300)
<b>Pension finance costs</b>	<b>(255)</b>	<b>(63)</b>
Actual return on plan assets	2013 £'000	2012 £'000
Actual return on plan assets	4,250	524
Amount recognised in the statement of total recognised gains and losses (STRGL)	2013 £'000	2012 £'000
Actuarial gains/(losses) on pension scheme assets	3,248	(718)
Actuarial losses on scheme liabilities	(587)	(3,842)
<b>Actuarial gains/(losses) recognised in STRGL</b>	<b>2,661</b>	<b>(4,560)</b>
Movement in deficit during the year	2013 £'000	2012 £'000
Deficit in scheme at 1 August	(9,217)	(4,551)
Movement in the year:		
Current service cost	(1,195)	(1,016)
Employer contributions	945	973
Past service costs	-	-
Losses on settlements and curtailments	-	-
Net interest on assets	(255)	(63)
Actuarial gains/(losses) in respect of pension scheme	2,661	(4,560)
<b>Deficit in scheme at 31 July</b>	<b>(7,061)</b>	<b>(9,217)</b>



**Salford City College Notes to the Accounts (continued)**  
**for the year ended 31 July 2013**

**26 Asset and Liability Reconciliation (continued)**

	2013 £'000	2012 £'000
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	30,074	24,135
Current service cost	1,195	1,016
Interest cost	1,252	1,300
Contributions by Members	363	368
Experience losses on liabilities	-	-
Actuarial gains in respect of pension	587	3,842
Past service costs	-	-
Losses on curtailments	-	-
Estimated benefits paid	(604)	(587)
<b>Closing defined benefit obligation at 31 July</b>	<b>32,867</b>	<b>30,074</b>

**Pension and similar obligations**

	2013 £'000	2012 £'000
Reconciliation of fair value of employer assets		
Opening fair value of employer assets	20,857	19,584
Expected return on assets	997	1,237
Contributions by Members	363	368
Contributions by Employer	945	973
Actuarial gains/(losses)	3,248	(718)
Estimated benefits paid	(604)	(587)
<b>Closing fair value of employer assets</b>	<b>25,806</b>	<b>20,857</b>

The estimated value of employer contributions for the year ending 31 July 2014 is £935,000.

History of experience gains and losses	At 31 July 2013	At 31 July 2012	At 31 July 2011	At 31 July 2010	At 31 July 2009
Difference between the expected and actual return on assets:					
Amounts £'000s	3,248	(718)	(227)	1,355	(169)
Experience gains and losses on scheme liabilities:					
Amounts £'000s	-	-	1,872	-	-
Total amount recognised in STRGL					
Amounts £'000s	2,661	(4,560)	2,741	(355)	(4,753)

**27 Capital commitments**

	2013 £'000	2012 £'000
Commitments contracted for at 31 July	NIL	NIL
Authorised but not contracted at 31 July	NIL	5,398

**Salford City College Notes to the Accounts (continued)**  
**for the year ended 31 July 2013**

**28 Financial commitments**

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

	2013 £'000	2012 £'000
Land and buildings		
Expiring within one year	2	17
Expiring within two and five years inclusive	125	-
Expiring in over five years	385	123
	<u>512</u>	<u>140</u>
Other		
Expiring within one year	1	4
Expiring within two and five years inclusive	113	138
Expiring in over five years	-	12
	<u>114</u>	<u>154</u>
The College entered into a property lease after the year end and the annual commitment under this lease is as follow:	2013 £'000	2012 £'000
Land and buildings		
Expiring in over five years	58	-
	<u>58</u>	<u>-</u>

**29 Contingent liability**

There are no contingent liabilities (2011/12: none).

**30 Related party transactions**

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

**Salford Academy Trust**

Salford City College is the sponsor of Salford Academy Trust. Sales to Salford Academy Trust in the year amounted to £611,000 (2012 – £81,000) which related to the supply of goods and services. A balance of £6,600 remains outstanding at the year end and is included in year end debtors (2012 – £81,000). The following employees of Salford City College are directors of Salford Academy Trust:

	Salford City College	Salford Academy Trust
Graham Pennington	Deputy Chief Executive Officer	Director/Chair of Salford Academy Trust
Gabrielle Lagan	Deputy Principal	Director
Adam Fidler	Executive Assistant	Director
Louise Johnson	Assistant Principal	Director/Chair of Dukesgate Academy

Transactions with the SFA and the EFA are detailed in notes 2 and 18.

**E4Jobs Limited**

E4Jobs Limited is a wholly owned subsidiary of Salford City College. The College made payments on behalf of E4Jobs Limited of £4,727 in the year. A balance of £4,727 remains outstanding at the year end and is included in year end debtors.

**31 Amounts disbursed as agent**

**Learner support funds**

	2013 £'000	2012 £'000
Funding body grants – hardship support	1,656	1,196
Disbursed to students	(1,639)	(1,062)
Administration costs	(17)	(25)
Deferred income carried forward	16	16
Balance unspent as at 31 July, included in creditors	<u>16</u>	<u>125</u>

Funding body grants are available solely for students. 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.