



SOUTH EASTERN REGIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2009

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**SOUTH EASTERN REGIONAL COLLEGE
OPERATING AND FINANCIAL REVIEW 2008/09**

Vision Statement

Twenty by 20: Our overarching ambition is that by 2020 South Eastern Regional College (SERC) will be recognised as one of the top twenty Further Education providers in the world.

Mission Statement

Our mission is to shape our community by promoting an inspirational, innovative and inclusive learning environment, which will empower and enable individuals and businesses to fulfil their ambitions as well as contribute to the future prosperity of Northern Ireland.

College Values

The purpose of the College can be achieved through the following seven values:

- Demonstrating integrity, openness and fairness at all times;
- Adopting an assertive approach in promoting and affirming the worth of Further Education (FE) and the College;
- Respecting diversity and promoting equality of opportunity for all;
- Respecting staff, students and clients by contributing to their physical, mental and intellectual well-being;
- Striving to secure value for money in everything it does;
- Encouraging social responsibility and awareness of the global environment, and
- Seeking new opportunities for individuals, communities and companies.

Implementation of Strategic Plan

In August 2008 the College published “Shaping our Future”, a document designed to provide a clear sense of direction to staff and stakeholders. The document outlined the College’s vision, route map for success, values, structures and supported the College Development Plan (CDP).

By November 2008, with the merger process complete, the College’s Governing Body agreed to update the “Shaping our Future” document.

In February 2009 it was felt that the economic shocks of the previous six months and the rapid development of the College itself demanded an update of the strategy and also the adoption of a longer term view.

This new strategy is based on the “Twenty by 20” vision statement and is made up of 6 Core Strategic Goals:

1. To be acknowledged as a College with an outstanding reputation by;
 - a. INSPIRING, TRANSFORMING & ENRICHING lives by overcoming Educational disadvantages;
 - b. Becoming a Hub for developing Scientific and Technological capabilities of the region;
 - c. Professionalising the workforce;
 - d. Nurturing innovation, enterprise and entrepreneurship, and
 - e. Supporting and developing careers.
2. To develop a Culture of Excellence;
3. To position the College as a gateway for international partnerships;
4. To be recognised as a College that is leading the way in Corporate Governance;
5. To enhance the College’s reputation with its students, businesses and communities, and
6. To substantially increase and diversify the income streams of the College.

These strategic goals in turn drive the rolling three-year CDP. The performance of the College is monitored against this Plan which is reviewed and updated annually.

The CDP outlined a number of quantitative operational performance targets which were met by the College during 2008/2009.

These included:

- The delivery of 2008/09 FLUs at, or above, the contracted level. Achieved - 6,571 actual against a target of 6,410;
- Achieving an increased quantum of FLUs in the 2009/10 contract. Achieved - 7,125 awarded for 2009/2010 against the 6,410 awarded for 2008/2009, and
- Managing the delivery of the Public Private Partnership (PPP) and capital projects through a controlled and transparent process. Achieved – PPP Project teams meet regularly to review all change orders, risks, costs and progress against agreed Project Execution Plans. These teams report ultimately to the Governing Body via the PPP Project Board and the Finance and General Purposes Committee.

However, the fundamental driver to achieving the strategic goals is SERC's continuing focus on developing a "Culture of Excellence."

Excellence in the learning environment

The College's £80 million campus development plan represents the single greatest capital investment in the history of the sector in Northern Ireland (NI). The first of the new campuses, Newcastle and Downpatrick Phase 1, were opened in June 2009. Work on the construction centre at Newtownards is also nearing completion, with a target completion of spring 2010.

The College has invested significantly throughout the period in Information Learning Technology (ILT) in order to enhance and manage the learning experience. This investment has targeted not only systems and infrastructure (such as 'Moodle', the Virtual Learning Environment where students can access learning materials and interact with other students and tutors) but also staff development and ILT Support Staff.

The College has further developed its pastoral care during 2008/2009, with a range of initiatives, including the establishment of SERC Extra. This is a support unit, designed to improve retention throughout the College, which is aimed at students who are not engaging and are in danger of withdrawing, or who are having difficulties with their course of study.

Excellence in teaching and learning

The College is focused on insuring excellence in teaching. Key to this focus are a number of tools including: enhanced mandatory induction programmes for new staff; competence-based training online Continuing Professional Development (CPD) for all staff via CPD Engage and an embedding of the Lifelong Learning UK standards); an increase in staff briefings and training days; and an ongoing system of monitoring, evaluation, appraisal and observation.

Excellence in raising standards and "continuous improvement"

In this academic year the IQ:RS system (Improving Quality: Raising Standards) has been introduced as a framework for the College. Staff appraisal, peer review, classroom observation and targeted staff development are being utilised as the critical tools for continuous improvement.

Quality highlights for 2008/9 included strong inspection reports in ILT, Priority Skills Areas Level 2, Higher Education and Whole College Quality Improvement.

The College was also accredited with the prestigious Matrix Standard by the Employment National Training Organisation (ENTO) for its careers information and guidance service, and is the first College in Northern Ireland to receive this accolade in its entirety.

Financial Objectives

The College's financial objectives are:

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

Performance Indicators

During 2008/2009 the College has monitored its performance against the Key Financial Indicators which have been provided by DEL to the sector. These indicators are prepared with the monthly management accounts and are compared against the sector position, DEL's targets and prior year data.

FINANCIAL POSITION

Financial Results

The College generated an operating deficit in the year of £6,774k (2007/08 deficit of £7,634k). The result in 2008/09 is stated after accounting for: exceptional staff restructuring costs of £50k and exceptional non-staff restructuring costs of £60k; and depreciation of £3,201k arising from the accelerated depreciation on the buildings which are due to be demolished as part of the PPP building projects.

The College's total income for the year was £32,580k, a £3,566k fall on 2007/2008's total of £36,146k. This reduction was mainly a result of a number of decreases in non-recurring grant funding received from DEL.

2008/2009 expenditure before exceptional items was consistent with the prior year: £39,244k against £39,241k.

The College's historic outturn was a deficit of £2,909k compared with the original estimated outturn as per the CDP of £3,020k. The variance in year end performance is not considered significant.

DEL had been informed at the end of June that a historic deficit of £2,917k was anticipated.

The period saw the first of the College's new buildings funded under the PPP contracts coming into operation with both the Newcastle campus and Phase 1 of the Downpatrick campus being opened in June 2009.

Land and buildings were subject to a professional valuation by Land and Property Services (LPS) on 1 August 2007. These valuations have been adjusted each year by indices provided by LPS to establish valuations at 31 July 2009 for the financial statements. In a difficult market and with limited sales evidence, the indices were determined using a consensus of valuer opinion and it was agreed that a reduction in land value of 10% between 1 August 2008 and 31 July 2009 was appropriate for the values placed on the sites of Further Education Colleges. This resulted in a downward revaluation of £3,226k. LPS had no evidence to show any differential geographical changes in value and these indices have therefore been applied to all of the Further Education Colleges in Northern Ireland for their 2008/09 financial statements. It was agreed that buildings be decreased by 10.8% between 1 August 2008 and 31 July 2009, resulting in a downward revaluation of £2,731k. The net result of all revaluations is a downward revaluation of £5,957k which has been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve.

The depreciation charge for the year includes accelerated depreciation of £3,201k on buildings in Downpatrick, Lisburn and Ballynahinch which are due to be demolished as part of the PPP building projects. These buildings have been depreciated in 2008/09 in line with their useful economic life. The dates of demolition are scheduled to be as follows; Lisburn, April 2010, Downpatrick Phase 2, February 2011 and Ballynahinch, February 2011.

The accelerated depreciation is matched by an equal and opposite release from the Revaluation Reserve.

The FRS17 Retirement Benefit charge is based upon a full actuarial valuation of the NILGOSC scheme as at 31 March 2007 updated to 31 July 2009 by a qualified independent actuary.

Investments

One of the legacy Institutes, East Down Institute formed a subsidiary company in the early 1990s, East Down Enterprises Limited. This Company has been dormant for many years and has now been removed from the Company's Registry.

Income

The College has significant reliance on DEL as its principal funding source, largely from recurrent grants. In 2008/09, DEL provided 70% of the College's total income mainly through allocated recurrent grant. This represented 15.4% of the total recurrent grant available to the sector.

Reserves

The College has accumulated reserves of £4,180k (excluding the FRS17 Pension Reserve) and cash balances of £5,065k as at 31 July 2009.

The College's reserves and cash on hand have both reduced considerably when compared to the prior year accumulated reserves of £6,742k and cash balance of £11,769k as at 31 July 2008. This is largely due to the redundancy payments arising from the restructuring process which were accrued but had not been paid out as at July 2008.

At approximately 11%, the College's 2008/2009 reserves are only slightly over DEL's Key Performance Indicator target for the sector of 10% of prior year income.

The reserves will continue to be used to invest in Quality in line with the Strategic Aims of the College.

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 Further Education Order 1997 gives the College power to invest its funds. The College has a formal Treasury Management Policy which has been approved by The Finance & General Purposes Committee and the Governing Body. This policy is designed to ensure that appropriate controls are in place to regulate cash funds.

The purpose of the policy is to provide for the College cash funds to ensure all investments are held with major financial institutions and the requirement for any borrowings are fully evaluated and approval sought from the Finance and General Purposes Committee.

Cash Flows

The College had a net cash outflow of £6,703k during the year (2007/2008 net cash inflow of £706k), largely as a result of the payment of redundancy resulting from the restructuring process.

Liquidity

With a cash balance of £5,065k (2007/2008 £11,769k), the College's liquidity is strong. DEL's Key Performance Indicators include a target Current Ratio in the 1.5 – 2.5 range for the sector. The College's Current Ratio is 1.9 (2007/2008 1.8).

Debts Written Off

The College incurred losses in respect of debts written off during the year totalling £78,911.60. Approval was given by the Department for any individual loss which exceeded £750.

Individual Losses exceeding £1,000	(34 cases)	£50,422.04
Other Minor Losses	(63 cases)	£28,489.56

These debts were related to uncollected amounts from individual students and sponsors before the creation of SERC on 1 August 2007 and had been provided for in the 2007/08 Accounts. All debts had been put through the College's debt collection procedure and it was considered that litigation was not cost effective or appropriate because in many cases the debts were disputed due to students having withdrawn from their courses.

Student Activities and Achievements

The College increased its student enrolments by just over 2% during the year, giving a total enrolment of 28,403 in 2008/2009 compared to 27,808 in 2007/2008:

- Full-time enrolments were 5,082 (2007/2008 4,315);
- Full-time FE enrolments were 2,800 (2007/2008 2,212);
- Full-time HE enrolments were 562 (2007/2008 580);
- Full-time Training For Success enrolments were 1,720 (2007/2008 1,098), and
- Part-time enrolments were 23,321 (2007/2008 23,493).

In terms of FLUs, the College exceeded its target of 6,410 with actual FLUs of 6,571. These were made up of:

- FE 5,146 (against a target of 5,000);
- HE 1,045 (against a target of 1,030), and
- ESS 380 (against a target of 380).

Successes include:

- Horticulture students at the College walked away with two 'Best in Show' awards at the Hillsborough Garden Show;
- Over 1,200 people attended the Higher Education Graduation ceremony at the Waterfront Hall in September 2008;
- The College was recognised by the International Association of Bookkeepers (IAB) as the 'Top College' in the UK for the IAB Computerised Payroll qualification;
- One of the College's students, Kellie Adams, was hailed as one of Northern Ireland's top learners and was awarded the City & Guilds Medal for Excellence;
- Another of the College's students, William Stewart, was named Northern Ireland's Essential Skills Learner of the year;
- Co-operation between the College and Redraven, the Belfast-based engineering firm, resulted in the design and production of an after-market goggle system, which will solve the problem of keeping riders' goggles clean during off-road cycling and racing;
- In January 2009 the College celebrated the successes of Further Education students at award ceremonies. 133 students were awarded for their achievements in all subjects;
- In 2008-2009 5 Higher Education students studied in the USA for 1 year as part of their course via the Business Education Initiative;
- Apprentices James Ross and Luke Hawthorne, won awards at the annual Skillbuild NI Competition;
- Matthew Latimer achieved top marks, 324 out of 324, in his BTEC National Diploma for IT Practitioners in Software Development at the College – joint highest score in the UK, and
- Students on the Foundation Degree in Creative Media programme started their own multimedia companies. The companies have already started to work with live clients.

Curriculum Developments

The College aspires to be recognised for the excellence of its teaching and learning provision, performance standards and the student experience.

This is achieved by providing a breadth of curriculum which reflects the needs of the local and regional economy, the needs of employers and the aspirations of learners. All learners are provided with the opportunity to develop the skills, qualities and competences needed to enable them to progress towards achieving their aspirations in terms of economic activity, professional and personal development.

The overall 2008/2009 plan for the curriculum centred on the high level enrolment and FLU projections for the year. There were planned increases in enrolments and FLUs at levels 2 and above and for essential skills.

2008-09 also saw rapid progress in developing quality assurance systems, rolling-out ILT staff development and introducing a responsive curriculum against a background of dramatic economic change.

In early 2009 the College introduced the 'Rolling Curriculum' and 'Rapid Response Courses' in response to the drop in part-time enrolments and the economic downturn. Some 3,500 additional training places were made available in addition to the normal January intake of approximately 1,850 enrolments.

Going forward, the long term College curriculum will be planned against the interlinked themes of: Science and Technology; Professionalising the Workforce; Overcoming Educational Disadvantage; and Encouraging Innovation, Enterprise and Entrepreneurship. Taken as a whole, the themes reflect what is unique about the FE sector – parts of the school system have failed to tackle literacy and numeracy; universities don't specialise in Technician Level qualifications (Levels 3 and 4). Only colleges can fully address these themes.

It is anticipated that this thematic approach will give the College the flexibility to respond to environmental changes in terms of both short and long term needs.

Payment Performance

The College is committed to the prompt payment of suppliers of goods and services in accordance with the Confederation of British Industry's prompt payers code and British Standard BS 7890.

Unless otherwise stated in the contract, payment is due within 30 days of receipt of the goods or services, on presentation of a valid invoice or similar demand, whichever is later.

In the year ended 31 July 2009, 45% of invoices from suppliers were paid within the timescale noted above. No amounts were paid to suppliers in interest under the Late Payment of Commercial Debts (Interest) Act 1998. Due to processing delays arising from the merger of the 3 legacy financial systems on 1 August 2008 the average number of payment days in the first half year was high at 51 days. This had fallen to 37 days by the second half of the year.

Post Balance Sheet Events

Since the year end, in September 2009, the College was advised by DEL of a reduction to the 2009-10 block grant, in order to effect a reduction in College reserves. This decision was driven by unprecedented pressure on public spending and has resulted in a reduction of £11,994 in the 2009-10 block grant for South Eastern Regional College.

Future Developments

2008/2009 saw significant changes to the external environment in light of the global economic down-turn. These changes directly impacted the College in a number of ways, for example:

- Apprenticeships, particularly in the construction industry, were very hard to establish and maintain as firms were laying-off apprentices due to the economic downturn;
- Potential part-time students' levels of disposable income were vastly reduced and members of the public became more cautious in their spending, and
- Competition for students from education providers increased.

The College's response to this included an adjustment to its curriculum provision in the second half of the year coupled with a proactive, high-visibility marketing and communications campaign.

The College will continue to focus on maximising enrolment income in 2009/2010. The FLU award for 2009/2010 is 7,125. This is made up of 5,573 FE FLUs, 551 Essential Skills FLUs and 1,001 HE FLUs. This represents a total allocation of £24,170k for 2009/10.

One of the most significant financial challenges facing the College going forward is to build long term income streams and to improve efficiency by 2011 to be able to meet the unitary payments associated with the PPP Contracts. These payments will total approximately £2,200k by 2011/2012. In developing the 2009/2010 budget, and for the foreseeable future, the College is committed to driving significant efficiencies throughout the organisation whilst continuing to raise standards.

Resources

The college has various resources at its disposal that it can deploy in pursuit of its objectives.

Estate:

The College currently has an ongoing campus development plan. Existing campus buildings in Ballynahinch, Downpatrick, Lisburn and Newcastle are being demolished and replaced with new-builds under PPP projects.

The new Newcastle and phase 1 of the new Downpatrick campuses became operational in June 2009. Phase 1 of the new Lisburn campus is due to become operational in April 2010 with Ballynahinch and phase 2 of Lisburn and Downpatrick all becoming operational in 2011.

A new build Performing Arts Centre and an Innovation and Technology Centre are to be located at the Bangor campus and an extension to the Newtownards building will provide a new Construction Skills Centre. The Construction Skills Centre is scheduled to become operational in early 2010 while the Performing Arts Centre and the Innovation and Technology Centre will open in late 2011.

The College is spread over a wide geographical area with main campus buildings located at Bangor, Downpatrick, Lisburn and Newtownards each of which offer a range of courses. The College also delivers courses in a number of out centres at various locations in partnership with a number of voluntary bodies.

The College's estate as at 31 July 2009 consists of freehold land valued at £29,030k, buildings valued at £35,222k and buildings under construction valued at £6,154k. The estate includes campuses at:

- Bangor – Castle Park Road
- Newtownards – Victoria Avenue
- Lisburn – Castle Street & Knockmore Road
- Downpatrick – Church Street, Market Street, Ballydugan Road and Ardglass Road
- Newcastle – Donard Street and Castlewellan Road
- Ballynahinch – Church Road
- Ballyboley – Manse Road
- Hollywood – Old Hollywood Road

Financial:

Net assets at 31 July 2009 were £47,664k (2007/2008 £62,499k). This includes £8,564k pension liability (2007/2008 £3,773k).

People:

The College employs 838 people (expressed as full time equivalents), of whom 491 are teaching staff.

Principal 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 by the Audit Committee. 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.

As of June 2009, the Risk Register contained 20 active risks. 14 category A, 5 category B and 1 category C. There have been 41 risks identified since Sept 07, with 21 risks having been removed.

Outlined below is a summary of some of the principal risk factors that may impact the College. Not all factors are within the College's control, and other factors may also affect the College.

Failure to achieve financial viability.

Income levels are not in line with current expenditure. Greater efficiencies are being sought in staff costs via improved planning and the introduction of a new annualised hours contract. Summer 2009 also saw some further restructuring amongst the College's Management Team which should also contribute to reduced costs. The 2009/2010 budget process is focused on reducing costs and driving efficiencies.

Failure to provide a safe environment because of increasing numbers of students with behavioural problems.

The College has developed its pastoral care provision with the establishment of the SERC Extra unit in a bid to provide greater support in relation to students who are experiencing problems in engaging or with their behaviour. Staff training in the areas of pastoral care, child protection and student counselling has also increased.

Failure to manage the impact of the current economic climate.

Regular curriculum reviews are being undertaken to ensure its relevance. The College's links with local businesses and schools are being strengthened.

Stakeholder Relationships

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

- Students;
- The Department for Employment and Learning;
- Staff;
- Local employers (with specific links);
- Local Councils;
- Government Offices/ Regional Development Agencies;
- The local community;
- Other FE Institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

The College considers good communication with its staff to be very important and regular meetings are held. The College encourages staff and student involvement through membership of the Governing Body.

Equality of Opportunity and Employment of Disabled Persons

By virtue of Section 75 of the Northern Ireland Act 1998 South Eastern Regional College is carrying out all its functions, powers and duties as required to have due regard to the need to promote equality of opportunity:

- a) between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- b) between men and women generally;
- c) between persons with a disability and persons without; and
- d) between persons with dependants and persons without.

Without prejudice to its obligations above, the College has, in carrying out its functions, had regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group. The College has included the promotion of good relations as part of the corporate planning process.

The College is committed to the fulfilment of its Section 75 obligations in all parts of its organisation. The College is committed to allocating necessary resources to ensure that the statutory duties are complied with and that the measures within the Equality Scheme to promote equality of opportunity are implemented effectively and on time.

Finances and Going Concern

The Governing Body is satisfied that the College is a going concern on the basis that it has a reasonable expectation that the College will continue in operation for the foreseeable future. The financial statements are therefore prepared on the going concern basis.

Disclosure of Information to Auditors

These accounts are subject to audit under legislation by the Comptroller and Auditor General for Northern Ireland. 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.

Charitable and Taxation Status

The College has charitable status with the Inland Revenue and is not liable to corporation tax.

Charitable/Political Donations

The College made no charitable or political donations during the year.

Professional Advisers

External Auditors: Comptroller and Auditor General

Internal Auditors: PricewaterhouseCoopers LLP

Bankers: Bank of Ireland

Solicitors: Carson McDowell

Members

The members who served the Governing Body during the year were as follows:

Members	Position
Mr Brian Acheson	Chair of the Governing Body & Group Information Systems Director, SHS Group
Mr Russell Andrews	Staff Representative
Mr Norman Bennett	Director of Finance, Queen's University, Belfast, EHSSB Audit Committee Member
Mr John Ferris	Former Headmaster of Down High School; NI Court Service Lay Panellist; Lay Magistrate and Justice of the Peace
Mr Samuel Gallaher	Bid Director, Balfour Beatty Capital until Dec 08
Mr James Hunt	Director of Progressive Building Society, Golf Holdings Ltd and Hampton Properties Ltd, SEELB Audit Committee Member
Mr David Lamb	Assistant Director of Finance, Northern Ireland Housing Executive
Mrs Linda Martin	Staff Representative
Dr Denis McBrinn	Development Director, Action for Employment Ltd
Mr Alistair McDowell OBE	Former Head of Business Affairs, Northern Ireland Policing Board; NI Library Authority Member from Apr 09
Mr Laurence O'Neill	Co-Director of Accounting & Financial Service, Belfast Health and Social Care Trust
Mrs Beth Porter	Chief Librarian, South Eastern Education and Library Board until Mar 09
Professor Deirdre Vincent	Former Professor in the Department of German, University of Toronto
Mrs Suzanne Walsh	Senior Consultant, PricewaterhouseCoopers (Resigned 20 November 2008)
Mr Ken Webb	Principal and Chief Executive (Appointed 1 August 2008)
Mr Simon Wragg	Student Representative (Resigned 30 September 2008)
Ms Sabrina Orr	Student Representative (From April 09)

For and on behalf of the members of the Governing Body



Chairman

27/4/09

Date

SOUTH EASTERN REGIONAL COLLEGE REMUNERATION REPORT

Members of the Governing Body

Members of the Governing Body and the Chairman are appointed in accordance with the code of Practice of the Office of the Commissioner for Public Appointments for Northern Ireland.

The Members of the Governing Body and the Chairman are appointed for a fixed period of up to four years. Thereafter they may be re-appointed in accordance with the Code of Practice.

The posts of Members of the Governing Body and the Chairman carry no remuneration or payment of bonus.

No member of the Governing Body including the Chairperson receives pension contributions from either the College or the Department. The College reimburses the Chairperson and Members of the Governing Body for any incidental expenses incurred for carrying out their duties relevant to the organisation.

The Director and Senior Management Team

The Director and the Senior Management Team appointments are made in accordance with the College's recruitment policy. The policy requires appointments to be made on merit on the basis of fair and open competition.

The Director and Senior Management Team hold permanent appointments. The normal retiring age is 65, although staff may retire at any time after age 60 with no diminution of earned pension benefits. Policy relating to notice periods is contained in the College's Staff Handbook.

Minimum Pay Levels

Minimum pay levels are dependent on college size and vary across the sector.

Progression

There is no incremental progression for Directors as they are paid on a one-point scale according to college size. However, if the college size changes they will automatically move to that new salary point.

At initial appointment, Deputy Directors are normally placed on the bottom point of the four-point scale relevant to the size of their college. Thereafter, there is annual incremental progression up the scale until the maximum of the scale is reached. A common incremental date of September is used for all Deputy Directors. If the college increases in size a Deputy Director will automatically move to the new relevant salary scale.

Performance Pay

There is no performance related pay for the Director or any Deputy Director.

Total Reward Package

Senior staff of the College have access to the Northern Ireland Teachers' Pension scheme.

Senior staff posts are based on 36 hours per week and post-holders have access to the Colleges Maternity Leave Scheme, Paternity Leave Scheme, Adoption Leave Scheme and flexible working arrangements.

All Senior Staff have 35 days holiday entitlement and a further twelve statutory and public holidays as recognised by the sector.

Salary

The following sections provide details of the remuneration and pension interests of the senior management of the college.

Remuneration

Senior Management	2008-09		2007-08	
	Salary £'000	Benefits in kind £	Salary £'000	Benefits in kind £
Mr K Webb Director	100-105	0	5-10 (100-105)*	0
Mr T Keating Deputy Director	70-75	0	70-75	0
Dr M Malone Deputy Director	70-75	0	70-75	0
Mrs E Ross Deputy Director	70-75	0	70-75	0
Mr D Smith Deputy Director	70-75	0	70-75	0

**The Director was appointed to his post on 1 July 2008 and this is the equivalent full year salary. The Deputy Directors were appointed to their posts on 1 September 2007.*

'Salary' includes gross salary; performance pay or bonuses; overtime; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. No senior officials received any benefits in kind.

Pension arrangements

Retirement benefits to employees of the College are provided by the Northern Ireland Teachers' Pension Scheme (NITPS) and the Local Government Pension Scheme for Northern Ireland administered by the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Contributions to the NITPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. The NITPS 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 NITPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the NILGOSC scheme are measured using closing market values. NILGOSC 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

There are currently no enhanced pensions payable to any former member of staff.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NILGOSC pension arrangements and for which the Fund has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries

Officials	Accrued pension at age 60 as at 31/7/09 and related lump sum £'000	Real increase in pension and related lump sum at age 60 £'000	CETV at 31/7/09 £'000	CETV at 31/7/08 £'000	Real increase in CETV £'000
Mr K Webb Director	20-25 Plus lump sum of 0	* (see below)	368	* (see below)	* (see below)
Mr T Keating Deputy Director	20-25 Plus lump sum of 60-65	1.5-2.0 Plus lump sum of 5.5-6.0	376	350	26
Dr M Malone Deputy Director	20-25 Plus lump sum of 70-75	2.5-3.0 Plus lump sum of 8.0-8.5	452	406	46
Mrs E Ross Deputy Director	15-20 Plus lump sum of 55-60	2.0-2.5 Plus lump sum of 7.0-7.5	459	404	55
Mr D Smith Deputy Director	20-25 Plus lump sum of 60-65	2.0-2.5 Plus lump sum of 7.0-7.5	342	305	37

Service contracts

College appointments are made on merit on the basis of fair and open competition. Unless otherwise stated, the officials covered by this report hold appointments, which are open ended. Early termination, other than for misconduct, would result in the individual being entitled to receive compensation.

* An entrant to the NITPS after 01/04/2007 has a retirement age of 65 years and no lump sum is applicable, although the entrant may elect to commute part of their pension to a lump sum.
Mr K Webb joined SERC and NITPS on 1 July 2008 so this condition applied. The Department of Education do not supply a CETV with only one month's service so there is no calculation in respect of the real increase in CETV.

SOUTH EASTERN REGIONAL COLLEGE CORPORATE GOVERNANCE AND ACCOUNTABILITY

The following statement is given to assist readers of the Financial Statements to obtain an understanding of the Governance procedures applied by the Governing Body of the College.

The College is an autonomous body established under the Further Education (Northern Ireland) Order 1997. Like most public bodies it operates within a strong framework of regulation. Not only does the College comply with all mandatory requirements but it also strives to operate that guidance which represents best practice.

Summary of the College's Structure of Corporate Governance

Governing Body

The College's Governing Body comprises lay and academic persons appointed under the articles of the College, the majority of whom are non-executive. The role of the Chairman of the Governing Body is separate from the role of the College Principal/ Director as Chief Executive. The Governing Body is responsible for the ongoing strategic direction of the College whilst the Executive Officers are responsible for the operational management of the institution. The Governing Body approves all major developments and receives regular reports on the activities of the College. The Governing Body met 7 times during the 2008/09 year and has several committees, including Finance and General Purposes Committee, an Education Committee, a Staffing Committee and an Audit Committee. All of these committees are formally constituted with terms of reference and comprise mainly lay members of the Governing Body.

Audit Committee

The Audit Committee operates as an advisory body to the College's Governing Body and the Accounting Officer. The Audit Committee is responsible for reviewing the effectiveness of the College's accounting procedures and systems of internal control. It also must satisfy itself that adequate arrangements are in place to promote economy, efficiency and effectiveness. The Committee met 5 times during the 2008/09 year to discuss reports from the External and Internal Auditors and the relevant responses. It also receives and considers reports from the Department for Employment and Learning. It reviews the College's annual financial statements to ensure compliance with legislation and accounting standards. Whilst Executive Officers and other officials attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee can meet with auditors on their own for independent discussions.

Finance and General Purposes Committee

The Finance and General Purposes Committee inter alia supervises all matters relating to the finance and accounts of the College, the investment of its funds, the receipt of its income and the expenditure thereof, the management of trust funds and the approval of policies. The Committee also advises the Governing Body on the raising and guaranteeing of loans. It is the duty of the Finance Committee to present a report to each meeting of the Governing Body. The Committee met 5 times during the 2008/09 year.

Education Committee

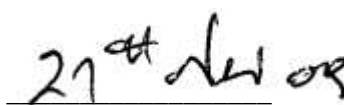
The Education Committee is responsible for overseeing College curricular provision, especially the nature, quality and performance of the provision and the extent to which it meets the needs of the community that the College seeks to serve. The Committee met 6 times during the 2008/09 year.

Staffing Committee

The Staffing Committee is responsible for carrying out procedures in relation to the recruitment, appointment, promotion and grading of all staff. It ensures that all procedures, and their application, in relation to recruitment, appointment, promotion and remuneration of staff comply with industrial relations and equal opportunity legislation. The Committee met 5 times during the 2008/09 year.



Accounting Officer



Date

**SOUTH EASTERN REGIONAL COLLEGE
STATEMENT OF THE RESPONSIBILITIES OF THE GOVERNING BODY
FOR THE YEAR ENDED 31 JULY 2009**

The Governing Body of the College is required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum agreed between the Department for Employment and Learning (the Department) and the Governing Body of the College, the Governing Body through its Chairman, is required to prepare financial statements for each financial year 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 Governing Body is required to:

- select suitable accounting policies and then 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 the financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

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

The Governing Body is responsible for ensuring that funds from the Department are used only in accordance with the Financial Memorandum agreed with the Department and other conditions which the Department may from time to time prescribe.

The Governing Body must ensure that there are appropriate financial and management controls in place sufficient to safeguard public funds and ensure that they are used only in accordance with the conditions under which they have been made available.

In addition, the Governing Body is responsible for securing the economic, 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 by the Department are not put at risk.

**SOUTH EASTERN REGIONAL COLLEGE
ACCOUNTING OFFICER'S REPORT TO THE GOVERNING BODY
FOR THE YEAR ENDED 31 JULY 2009**

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the College's aims and objectives set by the Governing Body, whilst safeguarding the public funds and College assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

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 nature and extent of those risks and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Eastern Regional College for the year ended 31 July 2009 and up to the date of approval of the annual report and accords with DFP guidance. I have fully embedded the processes which the Department for Employment and Learning has agreed should be established and confirmed their robustness.

Capacity to handle risk

Appropriate procedures have been carried out to ensure that the College's objectives and risks have been identified and that a control strategy for each of the significant risks has been determined. As a result, risk ownership is allocated to the appropriate staff and the College has set out its attitude to risk to the achievement of the College objectives. Staff are trained and equipped to manage risk in a way appropriate to their level of authority and duties.

The risk and control framework

The Governing Body has instructed that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on. There has been a full risk and control assessment before reporting on the year ending 31 July 2009. Risk management has been incorporated fully into the corporate planning and decision making processes of the College.

The Governing Body has received periodic reports concerning internal control. The appropriate steps have been taken to manage risks in significant areas of responsibility and progress on key projects has been monitored.

Following the identification of the College's key objectives and risks, further work has been done to bring about more consistency in the way in which the College treats risks.

In addition to the actions mentioned above, in the coming year the College plans to:

- regularly review and update the register of risks facing the organisation;
- maintain the system of key performance and risk indicators;
- arrange for regular reports from the Heads of Departments on internal control activities;
- hold regular budget meetings with budget holders;
- hold regular meetings to review enrolments, retentions and achievements, and
- hold regular quality review meetings.

The College has an internal audit service, the work of which concentrates on areas of key activities determined by an analysis of the areas of greatest risk and in accordance with the annual internal audit plan approved by the Governing Body. The internal auditors report to the Accounting Officer and to the Audit Committee on a regular basis and have direct access to the Governing Body and to the Chairman of the Audit Committee.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the

executive managers within the College who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Head of Internal Audit has issued an Assurance Statement to me which provides his/her opinion on the adequacy and effectiveness of the internal control system and the extent to which it can be relied upon. On the basis of the audit work performed during the year, the internal auditor was able to provide Satisfactory Overall Assurance in relation to the adequacy of the systems of control in place within the organisation and their operation throughout the period under review.

Area reviewed	Assurance rating
Financial Controls	Substantial
Human Resources and Payroll	Satisfactory
Security of Assets and Delivery Arrangements	Substantial
Data Protection and Freedom of Information	Limited
Risk Management, Corporate Governance & Budgetary Control	Substantial
PPP Review	Substantial

Significant internal control problems

The College received a "limited assurance" from its internal auditor, PricewaterhouseCoopers following the internal audit review of the arrangements in place to facilitate compliance with Data Protection and Freedom of Information legislation which was carried out in June 2009.

There was one Priority 1 issue identified during the course of the review. Recommendations were:

The College should enhance the existing Data Protection policy and establish a set of procedures for all staff in line with this policy; this should then be distributed to all members of management and staff. As a minimum the policy and procedures should be reviewed and updated on a periodic basis as required;

The risk of non-compliance with the requirements of the Data Protection Act and Freedom of Information Act should be included in the organisation's risk register. The risk of non-compliance should be dealt with at both Governing Body and management level with appropriate controls being established to ensure full compliance with the requirements of both Acts, and

A formal escalation procedure document should be compiled to prepare the college to deal with any eventuality and thus minimise the reputational effect or non-compliance with legislation.

These recommendations have been accepted by the College:

The Data Protection Policy has been revised in line with recommendations. It was reviewed & approved by the College's Senior Management Team in October 2009. The policy includes formal escalation procedures in the event of data-loss;


The Freedom of Information Policy has been revised. It was reviewed & approved by the College's Senior Management Team in October 2009;


The risk of non-compliance with both the Data Protection Act 1998 and the Freedom of Information Act 2000 was presented to the College Management Team on 17 August 2009. This is now included on the College's Risk Register. The risk register is presented to the Governing Body on a regular basis;

The College internal Staff Development programmes in August 2009 contained presentations to staff on Data Protection & Freedom of Information;

Online training modules based on the Data Protection & Freedom of Information policies were released to all staff in October 2009 with a completion date of November 2009. These training modules have been incorporated into the College's induction programme, and

Completion of online training is mandatory and is monitored by College management.


Accounting Officer


Date

SOUTH EASTERN REGIONAL COLLEGE

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the South East Regional College for the year ended 31st July 2009 under the Further Education (Northern Ireland) Order 1997 as amended by the Audit and Accountability Institutions of Further Education (Public Sector Audit) Order (Northern Ireland) 2008. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Historical Surpluses and Deficits and the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Governing Body and auditor

The Governing Body is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with The Further Education (Northern Ireland) Order 1997 as amended by the Audit and Accountability Institutions of Further Education (Public Sector Audit) Order (Northern Ireland) 2008 and the Department for Employment and Learning direction made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Responsibilities of the Governing Body.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Further Education (Northern Ireland) Order 1997 as amended by the Audit and Accountability Institutions of Further Education (Public Sector Audit) Order (Northern Ireland) 2008 and the Department for Employment and Learning direction made thereunder. I report to you whether, in my opinion, the information which comprises the Operating and Financial Review, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

In addition, I report to you if South East Regional College has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects South East Regional College's compliance with the Department of Finance and Personnel's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of South East Regional College's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Governing Body in the preparation of the financial statements, and of whether the accounting policies are most appropriate to South East Regional College's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Further Education (Northern Ireland) Order 1997 as amended by the Audit and Accountability Institutions of Further Education (Public Sector Audit) Order (Northern Ireland) 2008 and directions made thereunder by the Department for Employment and Learning, of the state of South East Regional College's affairs as at 31st July and of its deficit, cash flows and total recognised gains and losses for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with The Further Education (Northern Ireland) Order 1997 as amended by the Audit and Accountability Institutions of Further Education (Public Sector Audit) Order (Northern Ireland) 2008 and the Department for Employment and Learning directions made thereunder; and
- information, which comprises the unaudited part of the Operating and Financial Review and the Remuneration Report, included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.



*KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU*

30 November 2009

**SOUTH EASTERN REGIONAL COLLEGE
INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 July 2009**

	<u>Notes</u>	2009 £'000	2008 As Restated £'000
INCOME			
Department for Employment and Learning Grants	2	22,785	26,344
Education contracts	3	6,935	6,734
Tuition fees and charges	4	1,128	1,226
Other grant income	5	640	393
Other operating income	6	794	756
Investment income	7	298	693
Total income		32,580	36,146
EXPENDITURE			
Staff costs	8	25,006	23,714
Other operating expenses	10	10,098	9,402
Depreciation	13	4,140	6,125
Total expenditure before exceptional items		39,244	39,241
Deficit on continuing operations after depreciation of assets at valuation and before tax and before exceptional items		(6,664)	(3,095)
EXCEPTIONAL ITEMS			
Exceptional restructuring costs (staff)	8	50	4,396
Exceptional costs (non staff restructuring costs)	10	60	143
Deficit on continuing operations after depreciation of assets at valuation and before tax		(6,774)	(7,634)
Taxation	11	-	-
Deficit on continuing operations after depreciation of assets at valuation and tax	12	(6,774)	(7,634)

All amounts above relate to the continuing operations of the College.

SOUTH EASTERN REGIONAL COLLEGE
STATEMENT OF HISTORICAL SURPLUSES AND DEFICITS
for the year ended 31 July 2009

	2009	2008
	£'000	As Restated £'000
	<u>Notes</u>	
Deficit on continuing operations after depreciation of assets at valuation and tax	(6,774)	(7,634)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19 3,865	<u>4,368</u>
Historical cost deficit for the year	<u>(2,909)</u>	<u>(3,266)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

SOUTH EASTERN REGIONAL COLLEGE
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 July 2009

	2009	2008
	£'000	As Restated £'000
	<u>Notes</u>	
Deficit on continuing operations after depreciation of assets at valuation and tax	(6,774)	(7,634)
Revaluation of fixed assets	19 (5,957)	4,368
Actuarial losses in respect of pension scheme	21 (4,444)	<u>(984)</u>
Total recognised losses for the year	<u>(17,175)</u>	<u>(4,250)</u>

	2009	2008
	£'000	As Restated £'000
Reconciliation of movement in reserves		
Opening reserves as previously reported	3,172	7,219
Prior year adjustment in respect of FRS17 charge (see (a) below and note 20)	(203)	-
Prior year adjustment in respect of opening reserves (see (b) below)	55,267	-
Opening reserves as restated	58,236	7,219
Total recognised (losses)/gains for the year	<u>(17,175)</u>	<u>(4,250)</u>
Closing Reserves	<u>41,061</u>	<u>2,969</u>

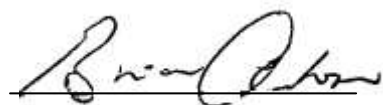
- a) The restatement of the 2008 reserves relates to the amendment of the closing reserves at 31 July 2008. This restatement was necessary due to an amendment contained within the actuarial valuation report of the NILGOSC fund as at 31 July 2009.
- b) The restatement of the 2008 reserves relates to the amendment of the opening reserves at 1 August 2008. This restatement is required to show total reserves of £41,061k instead of the income and expenditure account reserve of £4,384k. The 2008 comparative figure of £4,368k in relation to the revaluation of fixed assets should have been £22,573k. An additional amount of £2,352k in respect of a transfer from deferred capital grants should also have been shown.

The accompanying accounting policies and notes form an integral part of these financial statements.

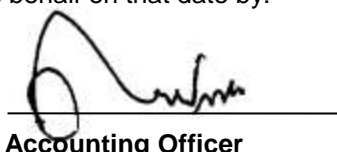
SOUTH EASTERN REGIONAL COLLEGE
BALANCE SHEET
for the year ended 31 July 2009

	Notes	2009 £'000	2008 As Restated £'000
Fixed assets			
Tangible assets	13	<u>66,030</u>	<u>60,264</u>
Total fixed assets		<u>66,030</u>	<u>60,264</u>
Current assets			
Debtors	14	1,358	2,166
Cash at bank and in hand		<u>5,065</u>	<u>11,769</u>
Total current assets		6,423	13,935
Creditors - amounts falling due within one year	15	<u>(3,385)</u>	<u>(7,642)</u>
Net current assets		<u>3,038</u>	<u>6,293</u>
Total assets less current liabilities		69,068	66,557
Creditors – amounts falling due after more than one year	16	-	(73)
Provision for liabilities and charges	17	(212)	(212)
NILGOS: pension fund creditor	21	(8,564)	(3,773)
PPP finance lease creditor		<u>(12,628)</u>	<u>-</u>
Net assets		<u>47,664</u>	<u>62,499</u>
Deferred capital grants	18	6,603	4,263
Reserves			
Revaluation reserve	19	45,445	55,267
Income and expenditure account excluding pension deficit	20	4,180	6,742
Pension deficit	21	<u>(8,564)</u>	<u>(3,773)</u>
Income and expenditure account including pension deficit	20	<u>(4,384)</u>	<u>2,969</u>
Total reserves		<u>41,061</u>	<u>58,236</u>
Total funds		<u>47,664</u>	<u>62,499</u>

The financial statements on pages 20 to 46 were approved by the Governing Body of South Eastern Regional College on 27 November 2009 and were signed on its behalf on that date by:



Chairman



Accounting Officer

The accompanying accounting policies and notes form an integral part of these financial statements.

SOUTH EASTERN REGIONAL COLLEGE
CASH FLOW STATEMENT
for the year ended 31 July 2009

	<u>Notes</u>	2009 £'000	2008 £'000
Cash (outflow)/inflow from operating activities	22	(6,187)	112
Returns on investments and servicing of finance	23	298	693
Capital expenditure and financial investment	24	(689)	26
Financing	25	<u>(125)</u>	<u>(125)</u>
(Decrease)/increase in cash in the year		<u>(6,703)</u>	<u>706</u>

Reconciliation of net cash flow to movement in net funds/(debt)

	2009 £'000	2008 £'000
(Decrease)/increase in cash in the year	<u>(6,703)</u>	<u>706</u>
Movement in net funds in the year	(6,703)	706
Net funds at 1 August	<u>11,768</u>	<u>11,062</u>
Net funds at 31 July	<u>5,065</u>	<u>11,768</u>

In this statement, negative figures refer to cash outflows and all other figures are cash inflows to the College.

The accompanying accounting policies and notes form an integral part of these financial statements.

**SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009**

1. STATEMENT OF ACCOUNTING POLICIES

Statement of Accounting Policies

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

Basis of Preparation

These financial statements have been prepared on the going concern basis in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable Accounting Standards under the historical cost convention except that certain freehold properties are shown at their re-valued amounts. They also conform to the Accounts Direction issued by the Department for Employment and Learning (the 'Department').

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Merger Accounting

On 1st August 2007 East Down, Lisburn and North Down & Ards Institutes were merged to form South Eastern Regional College. Under the requirements of FRS 6, Acquisitions and Mergers, the accounts for 2007/08 have been prepared on the basis of merger accounting (DEL Circular FE 03/07 also refers).

Recognition of Income

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

Non recurrent grants from DEL and 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 asset.

The Public Private Partnership (PPP) grant from DEL represents their contribution to the total unitary charge payments made under the PPP contracts and is credited direct to the income and expenditure account.

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

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

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

Pension Scheme

The two Principal/ Director pension schemes for the College's staff are the Northern Ireland Teacher's Pension Scheme (NITPS) and the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) defined benefit schemes, which are externally funded and contracted out of the State Earnings Related Pension Scheme.

The NITPS is an unfunded contributory, voluntary membership scheme administered by the Department of Education. The current regulations under which the scheme operates are the *Teachers' Superannuation Regulations (NI) 1998 (as amended)*. The NITPS 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 NITPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

**SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009**

NILGOSC is a defined benefit schemes which is externally funded and contracted out of the second state Pension Scheme. The Funds are valued every three years by actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. Pension costs are assessed on the basis of the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the College benefits from the employees' services. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes after making allowances for future withdrawals. The College has fully adopted FRS17 'Retirement Benefits' during the year. The impact of this standard has been reflected throughout the financial statements. Prior year comparatives have been restated where appropriate.

The difference between the fair value of the assets held in the College's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the College's balance sheet as a pension scheme asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the College is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the College are charged to the income & expenditure account or the statement of total recognised gains and losses, in accordance with FRS 17.

Tangible Fixed Assets

Land and buildings

Land and buildings (including those inherited from the Education and Library Board) 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. Land and buildings acquired since the last valuation are included in the balance sheet at cost. Valuations are obtained on a regular basis, with a full professional valuation being undertaken by Land & Property Services (LPS) every 5 years, with revaluation using indices provided by LPS in intervening years. Freehold land is not depreciated. Buildings are depreciated over their expected useful economic life to the College as advised by the LPS. The depreciation charge on buildings is based on the opening cost as valued by LPS. 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 which is consistent with the depreciation policy.

Assets other than land and buildings

Assets other than land and buildings costing less than £3,000 per individual item are written off to the income and expenditure account in the period of acquisition. Assets other than land and buildings inherited from the Education & Library Board are included in the balance sheet at valuation. All other assets are capitalised at cost.

These assets are depreciated over their useful economic lives as follows:

Computers	33 1/3% per annum on a straight line basis
Motor vehicles	25% per annum on a straight line basis
Plant and equipment	20% per annum on a straight line basis
Fixtures and fittings	15% per annum on a straight line basis

Where these assets are acquired with the aid of specific grants the asset 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 asset.

Assets in the course of construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use. PPP fee costs incurred in prior years, and before the contracts were signed, have been expensed and not capitalised. Additional construction costs in relation to the PPP contracts will be capitalised and added to assets in the course of construction as and when incurred.

Public Private Partnerships

The College recognises PPP properties when they come into use unless it bears significant construction risk, in this case the property will be recognised as it is constructed. At present it is considered that the College does not bear significant construction risk with the PPP contracts. Downpatrick Phase 1 and Newcastle PPP properties came in to use on 15th June 2009 and have been capitalised at the cost of construction. The College will obtain a fair market value of these buildings on completion of the whole project.

The asset is depreciated over its useful economic life and the associated liability is reduced as payments for the property are made. An imputed finance charge on the liability is recorded in subsequent years using a property-specific rate. The remainder of the PPP payments (i.e. the full payments, less the capital repayment and the imputed financing charge) are recorded as an operating cost. Other College obligations in relation to the PPP contract are accounted for in accordance with FRS 12 Provisions, Contingent Liabilities and Contingent Assets.

Leased Assets

Costs in respect of operating leases are charged 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.

Investments

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

Foreign Currency Translation

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The College's financial assets are classified as loans and receivables and comprise trade and other debtors (Note 14) and cash at bank and in hand (Note 26). The College's financial liabilities comprise creditors, accruals and other creditors (Note 15). The carrying value of these financial assets and liabilities, as disclosed in the notes to the accounts, approximates to fair value because of their short maturities.

As the cash requirements of the College are met through Grant-in-Aid provided by the Department for Employment and Learning, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of the same size. The College is exposed to little credit, liquidity and market risk and financial instruments have no impact on the financial statements apart from macro economic factors such as interest rate risk which impacts on their investment policy. Given the recent uncertainties in the banking system the College has hedged risk by spreading its deposits across a number of financial institutions.

**SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009**

Taxation

As an exempt charity the College benefits by being broadly exempt from corporation tax on income it receives from tuition fees, interest and rents.

The College is exempted from levying VAT on most of the services it provides to students. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased.

Agency Arrangements

The College acts as an agent in the collection and payment of Support Funds, the administration of the Educational Maintenance Allowances (EMA) and Steps to Work/New Deal schemes.

Support Fund payments received from DEL and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 33. The College employs the equivalent of three members of staff for the administration of Support Fund applications and payments.

The College received £24k from DEL to cover administration costs relating to the EMA grant. The College employs the equivalent of three members of staff for the administration of Learner Support Fund applications and payments.

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009

2. DEPARTMENT FOR EMPLOYMENT AND LEARNING GRANTS

	2009	2008
	£'000	£'000
Recurrent grant	21,756	21,009
Release of deferred capital grants	206	868
Educational Maintenance Allowance (EMA)	24	25
Minor Works	102	155
Information, Communication and Technology (ICT – Recurrent)	-	627
Special Learning Difficulties & Disabilities (SLDD)	-	120
Essential Skills	15	1,190
Health & Safety	13	221
Foundation degrees	-	628
Premature Retirement Grant	-	508
Teacher's superannuation contributions	-	541
Public Private Partnership (PPP)	126	20
Additional Support Funds (ASF)	207	304
ASF Discrete Provision	149	-
Care to Learn	52	38
Other	135	90
	22,785	26,344

3. EDUCATIONAL CONTRACTS

	2009	2008
	£'000	£'000
School Link Courses	991	1,047
Training for Success/Jobskills	4,675	4,091
Steps to Work/New Deal	335	444
Training Organisation – Other	163	352
Higher Education (HE) income	771	800
	6,935	6,734

4. TUITION FEES AND CHARGES

	2009	2008
	£'000	£'000
Home and other European Union	1,128	1,226
Non-European Union	-	-
	1,128	1,226

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009

5. OTHER GRANT INCOME

	2009	2008
	£'000	£'000
European funds	25	292
Other funds	615	101
	640	393

6. OTHER OPERATING INCOME

	2009	2008
	£'000	£'000
Catering and residence operations	159	150
Other income generating activities	73	150
Other income	562	456
	794	756

7. INVESTMENT INCOME

	2009	2008
	£'000	£'000
Other interest receivable	298	693
	298	693

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009

8. STAFF COSTS

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

	2009	2008
	Number	Number
Teaching	491	509
Non-teaching	347	310
Total	838	819

Staff costs for the above persons

	2009	2008
	£'000	As Restated £'000
Teaching	15,595	15,978
Non-teaching	9,411	7,736
Total	25,006	23,714
Wages and salaries	20,878	19,692
Social Security costs	1,499	1,426
Other pension costs (including FRS 17 adjustments)	2,629	2,596
Total	25,006	23,714
Exceptional staff costs (redundancy)	50	4,396
	25,056	28,110

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

	Senior Post Holders		Other Staff	
	2009	2008	2009	2008
	Number	Number	Number	Number
£60,001 to £70,000	-	-	2	1
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	4	4	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	1	1	-	-
	5	5	2	1

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009

9. SENIOR POST HOLDERS' EMOLUMENTS

Senior post-holders are defined as the Chief Executive/Principal and College Directors 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.

	2009	2008
	Number	Number
The number of senior post-holders including the Chief Executive/Principal(s) was:	5	6

Senior post-holders' emoluments are made up as follows:

	2009	2008
	£'000	£'000
Salaries	396	418
Benefits in kind	-	-
Pension contributions	54	54
Total emoluments	450	472

The above emoluments include amounts payable to the Chief Executive/Principal(s) who were also the highest paid senior post-holders in the period of:

	2009	2008
	£'000	£'000
Salaries	104	128
Benefits in kind	-	-
	104	128
Pension contributions	18	18
	118	146

The pension contributions in respect of the Chief Executive/Principal and senior post-holders are in respect of employer's contributions to the Teachers' Superannuation Scheme and the Northern Ireland Local Government Officers' Superannuation Scheme and are paid at the same rate as for other employees.

The members of the College other than the Chief Executive/Principal and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Senior staff or Governors did not engage in any overseas activities during the year.

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009

10. OTHER OPERATING EXPENSES

	2009	2008
	£'000	£'000
Direct teaching	838	979
Direct support	3,703	3,440
Administration	2,364	1,900
Premises	2,982	3,083
Unitary payments – PPP operating cost	107	-
Unitary payments – PPP finance lease interest	104	-
	<hr/>	<hr/>
Total	10,098	9,402
Exceptional costs (merger expenses)	60	143
	<hr/>	<hr/>
	10,158	9,545

Other operating expenses include:

	2009	2008
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	28	21
Internal audit	29	25
Other services provided by the financial statements auditor	-	-
Other services provided by the internal auditors	32	75

11. TAXATION

The members do not believe the College was liable for any corporation tax arising out of its activities during the year.

12. DEFICIT ON CONTINUING OPERATIONS FOR THE YEAR

	2009	2008
	£'000	As Restated £'000
The deficit on continuing operations for the year is made up as follows:		
College's deficit for the year	(6,774)	(7,634)
	<hr/>	<hr/>

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009

13. TANGIBLE FIXED ASSETS

	Freehold land	Buildings	Buildings under construction	Plant and equipment	Computers	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 August 2008	32,256	28,391	3,212	1,434	396	207	154	66,050
Additions	-	12,628	2,942	280	8	-	5	15,863
Disposals	-	(3,066)	-	-	-	-	-	(3,066)
Deficit on revaluation	(3,226)	(2,731)	-	-	-	-	-	(5,957)
Reclassified assets	-	-	-	-	-	-	-	-
At 31 July 2009	29,030	35,222	6,154	1,714	404	207	159	72,890
Depreciation								
At 1 August 2008	-	3,974	-	1,212	345	129	126	5,786
Charge for the year	-	755	-	104	34	30	16	939
Accelerated depreciation	-	3,201	-	-	-	-	-	3,201
Disposals	-	(3,066)	-	-	-	-	-	(3,066)
Revaluation	-	-	-	-	-	-	-	-
Reclassified Assets	-	-	-	-	-	-	-	-
At 31 July 2009	-	4,864	-	1,316	379	159	126	6,860
Net book value at 31 July 2009	29,030	30,358	6,154	398	25	48	17	66,030
Net book value at 31 July 2008	32,256	24,417	3,212	222	51	78	28	60,264

Surplus on Revaluation

Land and buildings were subject to a professional valuation by Land and Property Services (LPS) on 1 August 2007. These valuations have been adjusted each year by indices provided by LPS to establish valuations at 31 July 2009 for the financial statements. In a difficult market and with limited sales evidence, the indices were determined using a consensus of valuer opinion and it was agreed that a reduction in land value of 10% between 1 August 2008 and 31 July 2009 was appropriate for the values placed on the sites of Further Education Colleges. This resulted in a downward revaluation of £3,226k. LPS had no evidence to show any differential geographical changes in value and these indices have therefore been applied to all of the Further Education Colleges in Northern Ireland for their 2007/08 financial statements. It was agreed that buildings would be decreased by 10.8% between 1 August 2008 and 31 July 2009, resulting in a downward revaluation of £2,731k. The net result of all revisions is a downward revaluation of £5,957 which has been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve.

Depreciation Charge for the Year

The depreciation charge for the year includes accelerated depreciation of £3,201k on buildings in Downpatrick, Lisburn and Ballynahinch which are due to be demolished as part of the PPP building projects. These buildings have been depreciated in 2008/09 in line with their useful economic life.

The accelerated depreciation is matched by an equal and opposite release from the Revaluation Reserve.

The net book value of tangible fixed assets includes an amount of £12,596k (2008: £ nil) in respect of assets held under finance leases

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009

Income & Expenditure Account – Depreciation

The depreciation shown in the Income & Expenditure Account is analysed below:-

	2009	2008
	£'000	£'000
Charge for the year	907	2,722
Accelerated depreciation on buildings	3,201	2,692
Assets held under finance leases	32	-
	4,140	5,414
Original cost of reclassified assets	-	4,726
Cumulative depreciation on declassified assets	-	(4,015)
Charge in the Income & Expenditure Account	4,140	6,125

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009

14. DEBTORS

	2009	2008
	£'000	£'000
Amounts falling due within one year:		
Amounts due from the Department	465	1,554
Trade debtors	637	340
Prepayments and accrued income	256	272
	1,358	2,166

15. CREDITORS: AMOUNTS FALLING DUE WITHIN 1 YEAR

	2009	2008
	£'000	£'000
DEL Loan	73	125
Payments received in advance	342	171
Trade creditors	973	1,009
Taxation and social security	-	4
Trade accruals	982	1,217
Redundancy accruals	353	4,177
Amounts owed to DEL	662	939
	3,385	7,642

16. CREDITORS: AMOUNTS FALLING DUE AFTER 1 YEAR

	2009	2008
	£'000	£'000
DEL Loan	-	73
	-	73

The DEL Loan was in respect of Lisburn Institute and will be fully repaid by February 2010.

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Other	Total
	£'000	£'000
At 1 August 2008	212	212
Expenditure in the period	-	-
At 31 July 2009	212	212

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009

18. DEFERRED CAPITAL GRANTS

	DEL grants £'000	Total £'000
At 1 August		
Land and buildings	3,904	3,904
Other assets	359	359
	<u>4,263</u>	<u>4,263</u>
Cash received		
Land and buildings	2,315	2,315
Other assets	231	231
	<u>2,546</u>	<u>2,546</u>
Released to Income and Expenditure Account		
Land and buildings	(33)	(33)
Other assets	(173)	(173)
	<u>(206)</u>	<u>(206)</u>
At 31 July		
Land and buildings	6,186	6,186
Other assets	417	417
	<u>6,603</u>	<u>6,603</u>

19. REVALUATION RESERVE

	2009 £'000	2008 £'000
At 1 August	55,267	34,710
Revaluations in the period (as per note 13)	(5,957)	22,573
Transferred from deferred capital grants	-	2,352
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets	(3,865)	(4,368)
	<u>45,445</u>	<u>55,267</u>

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009

20. INCOME AND EXPENDITURE ACCOUNT

Income and expenditure account reserve

	2009	2008
	£'000	As Restated £'000
At 1 August as previously stated	3,172	7,219
Prior year adjustment in respect of FRS17 charge (note 20)	(203)	-
As at 1 August as stated	2,969	7,219
Deficit retained for the year	(6,774)	(7,634)
Transfer from revaluation reserve	3,865	4,368
Actuarial losses in respect of pension scheme	(4,444)	(984)
At 31 July 2009	<u>(4,384)</u>	<u>2,969</u>
Balance represented by :		
Pension deficit	(8,564)	(3,773)
Income and expenditure account reserve excluding pension deficit	<u>4,180</u>	<u>6,742</u>
At 31 July 2009	<u>(4,384)</u>	<u>2,969</u>

The restatement of the 2008 reserves relates to the amendment of the closing reserves at 31 July 2008 by the prior year adjustment. This restatement was necessary due to an amendment contained within the actuarial valuation report of the NILGOSC fund as at 31 July 2009.

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009

21. PENSION AND SIMILAR OBLIGATIONS

The College's employees belong to two Principal/Director pension schemes: the Northern Ireland Teachers' Superannuation Scheme (NITPS) for academic and related staff; and the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) for non-teaching staff. Both are defined-benefit schemes.

Total pension cost for the year

	2009	2008
	£'000	£'000
NITPS: contributions paid	1,625	1,775
NILGOSC: charge to the income and expenditure account (staff costs)	656	583
Enhanced pension charge to income and expenditure account	348	238
	<hr/>	<hr/>
Total pension cost for the year	<u>2,629</u>	<u>2,596</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the NITPS was as at 31 March 2004 and NILGOSC was as at 31 March 2007.

The restatement of the 2008 pension cost relates to the prior year adjustment. This restatement was necessary due to an amendment contained within the actuarial valuation report of the NILGOSC fund as at 31 July 2009.

NITPS

The NITPS is an unfunded contributory, voluntary membership scheme administered by the Department of Education. The current regulations under which the scheme operates are the Teachers' Superannuation Regulations (NI) 1998 (as amended).

Further information about the scheme is given in the explanatory booklet dated November 2007, which is issued to all members.

The Government Actuary's Department values the scheme every 4 years with an interim valuation in the intervening 2-year period using the projected accrued benefit method. The latest full valuation to be completed was as at 31 March 2004, with an interim valuation completed as at 31 March 2007. The interim actuarial valuation as at 31 March 2007 valued the accrued pension scheme liability at £6.35 billion.

From 1 April 2007 the employers' contribution rate is 13.6% and the employees' contribution rate is 6.4% of pensionable pay. This is to account for changes introduced to the NITPS from this date. These rates still apply in this financial year

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the NITPS 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.

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009

NILGOSC

NILGOSC is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations (Northern Ireland) 2002, as amended. It is contracted out of the state pension scheme.

FRS 17

The following information is based upon a full actuarial valuation of the fund at 31 March 2007 updated to 31 July 2009 by a qualified independent actuary.

	2009	2008	2007
	%	%	%
Pension increase rate	3.7	3.8	3.3
Salary increase rate	5.2	5.3	4.8
Expected return on assets	6.8	7.3	7.3
Discount rate	6.0	6.7	5.8

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

	2009	2008
Retiring today		
Males	19.6	19.6
Females	22.5	22.5
Retiring in 20 years		
Males	20.7	20.7
Females	23.6	23.6

	Long term rate of return expected at 31 July 2009	Value at 31 July 2009		Long term rate of return expected at 31 July 2008	Value at 31 July 2008 As Restated		Long term rate of return expected at 31 July 2007	Value at 31 July 2007
		£'000			£'000			£'000
Equities	7.30%	9,436		7.80%	9,114		8.00%	9,460
Bonds	5.30%	1,452		5.70%	1,608		5.20%	2,066
Property	5.30%	726		5.70%	953		6.00%	1,067
Cash	4.30%	484		4.80%	232		5.10%	229
Market value of assets		12,098			11,907			12,822
Present value of liabilities		(20,662)			(15,680)			(15,374)
Deferred tax liability		-			-			-
Deficit in the scheme		(8,564)			(3,773)			(2,552)

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009

Recognition in the Income and Expenditure account

	2009	2008
	£'000	As Restated £'000
Current service cost	560	640
Interest cost on pension liabilities	1,096	914
Expected return on pension scheme assets	(913)	(961)
Past service cost	223	-
Losses on curtailments and settlements	603	231
Total	<u>1,569</u>	<u>824</u>

Actual return on plan assets	<u>(1,028)</u>	<u>(772)</u>
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Analysis of pension finance (cost)/income

Expected return on pension scheme assets	913	961
Interest cost on pension liabilities	(1,096)	(914)

Pension finance (cost)/income	<u>(183)</u>	<u>47</u>
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Amount recognised in Statement of Total Recognised Gains and Losses (STRGL)

	2009	2008
	£'000	As Restated £'000
Actuarial losses	(4,444)	(984)
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-

Actuarial losses recognised in STRGL	<u>(4,444)</u>	<u>(984)</u>
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Movement in deficit during year

	2009	2008
	£'000	As Restated £'000
At 1 August as previously stated	(3,568)	-
Prior year adjustment in respect of FRS17 charge	(203)	-
Rounding adjustment	(2)	-
As at 1 August as stated	<u>(3,773)</u>	<u>(2,552)</u>

Current service cost	(560)	(640)
Employer contributions	1,221	586
Contributions in respect of unfunded benefits	1	1
Losses on curtailments and settlements	(603)	(231)
Pension finance (cost)/income	(183)	47
Past service cost	(223)	-
Actuarial losses	<u>(4,444)</u>	<u>(984)</u>

Deficit in scheme at 31 July	<u>(8,564)</u>	<u>(3,773)</u>
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SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009

Reconciliation of Defined Benefit Obligation

	2009	2008
	£'000	As Restated £'000
Liabilities at 1 August	15,680	15,374
Current service cost	560	640
Interest cost	1,096	914
Employee contributions	263	258
Actuarial losses/(gains)	2,498	(1,445)
Past service cost	223	-
Estimated unfunded benefits paid	(1)	(1)
Estimated benefits paid	(260)	(291)
Losses on curtailments and settlements	603	231
	<u>20,662</u>	<u>15,680</u>
Liabilities at 31 July	20,662	15,680

Reconciliation of Fair Value of Employer Assets

	2009	2008
	£'000	As Restated £'000
Assets at 1 August	11,907	12,822
Expected return on employer assets	913	961
Actuarial losses	(1,946)	(2,429)
Employer contributions	1,221	586
Contributions in respect of unfunded benefits	1	1
Employee contributions	263	258
Estimated unfunded benefits paid	(1)	(1)
Estimated benefits paid	(260)	(291)
	<u>12,098</u>	<u>11,907</u>
Assets at 31 July	12,098	11,907

History of Experience Gains and Losses

	2009	2008
	£'000	As Restated £'000
Difference between the expected and actual return on assets:		
Difference between the expected and actual return on employer assets	(1,941)	(1,733)
Fair value of employer assets	12,098	11,907
Percentage of employer assets	(16.0%)	(14.6%)

Experience gains on scheme liabilities:

Experience gains on liabilities	-	553
Present value of liabilities	20,662	15,680
Percentage of the total present value of liabilities	n/a	3.5%

Total amount recognised in STRGL:

Actuarial losses recognised in STRGL	(4,444)	(984)
Present value of liabilities	20,662	15,680
Percentage of the total present value of liabilities	(21.5%)	(6.3%)

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2009

22. RECONCILIATION OF OPERATING DEFICIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2009	2008
	£'000	As Restated £'000
Deficit on continuing operations after depreciation of assets at valuation	(6,742)	(7,634)
Depreciation (note 13)	4,108	5,414
Reclassification of tangible fixed assets (note 13)	-	711
Deferred capital grants released to income (note 18)	(206)	(1,496)
Interest receivable (note 7)	(298)	(693)
Pension cost less contributions payable (note 21)	348	238
Decrease in debtors	808	426
(Decrease)/increase in creditors	(4,205)	2,934
Increase in provisions	-	212
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(6,187)	112

23. RETURN ON INVESTMENT AND SERVICING OF FINANCE

	2009	2008
	£'000	£'000
Other interest received	298	693
	<hr/>	<hr/>
Net cash inflow from returns on investment and servicing of finance	298	693

24. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2009	2008
	£'000	£'000
Purchase of tangible fixed assets	(3,235)	(2,137)
Deferred capital grants received	2,546	2,163
	<hr/>	<hr/>
Net cash (outflow)/inflow from capital expenditure and financial investment	(689)	26

25. FINANCING

	2009	2008
	£'000	£'000
Debt repaid during year:		
DEL Loan	(125)	(125)
	<hr/>	<hr/>
Net cash outflow from financing	(125)	(125)

SOUTH EASTERN REGIONAL COLLEGE
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26. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Aug 2008 £'000	Cash flows £'000	At 31 July 2009 £'000
Cash in hand and at bank	11,768	(6,703)	5,065
	11,768	(6,703)	5,065
Financing	(198)	125	(73)
	<u>11,570</u>	<u>(6,578)</u>	<u>4,992</u>

27. CASH FLOW RELATING TO AN EXCEPTIONAL ITEM - REDUNDANCY

	2009 £'000	2008 £'000
Accrual as at 1 August	4,191	45
Income and expenditure account charge	50	4,396
Operating cash outflow	<u>(3,888)</u>	<u>(250)</u>
Accrual as at 31 July	353	4,191

28. POST BALANCE SHEET EVENTS

Since the year end, in September 2009, the College was advised by DEL of a reduction to the 2009-10 block grant, in order to effect a reduction in College reserves. This decision was driven by unprecedented pressure on public spending and has resulted in a reduction of £11,994 in the 2009-10 block grant for South Eastern Regional College.

29. CAPITAL COMMITMENTS

	2009 £'000	2008 £'000
Commitments contracted for at 31 July	<u>48,916</u>	<u>58,306</u>

In April 2008 the College signed two PPP contracts with the East Down & Lisburn Educational Partnership (EDLEP) to design, build and maintain, for 25 years, new College buildings on sites in Ballynahinch, Downpatrick, Lisburn and Newcastle. Capital repayments will be made over a 25 year period and will be funded by DEL.

30. FINANCIAL COMMITMENTS

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

	2009 £'000	2008 £'000
Land and buildings		
Expiring within one year	12	-
Expiring within two and five years inclusive	147	122
Expiring in over five years	<u>-</u>	<u>-</u>
	159	122

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31. RELATED PARTY TRANSACTIONS AND TRANSACTIONS INVOLVING GOVERNING BODY MEMBERS AND SENIOR MANAGEMENT

Owing to the nature of the College's operations and the composition of the Governing Body being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the 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.

Organisation	Governor/Director & Position in Organisation	Paid to the Company 2009 £'000	Outstanding at 31 July 2009 £'000
Association of Northern Ireland Colleges	Brian Acheson <i>Chairman ANIC</i>	1	-
Construction Industry Training Board	Eleanor Ross <i>Chair of NI Qualifications & Standards Committee</i>	42	2
	Michael Malone <i>Standards Committee Member, CITB</i>		
	Thompson Keating <i>Board Member, CITB</i>		
North Down Borough Council	David Smith <i>Member of Shadow Peace III Committee</i> <i>Board Member North Down Business Village</i>	3	-
	Thompson Keating <i>Director North Down Business Village</i>		
Northern Ireland Tourist Board	Thompson Keating <i>Board Member, NITB</i>	1	-
Open College Network	David Smith <i>Board Member, OCN</i>	79	5
PricewaterhouseCoopers LLP	Suzanne Walsh <i>Senior Consultant, PwC LLP</i>	56	-
Queens University, Belfast	Norman Bennett <i>Director of Finance, QUB</i>	15	-
South Eastern Education & Library Board	Beth Porter <i>Chief Librarian, SEELB</i>	19	5
	James Hunt <i>Audit Committee Member, SEELB</i>		

The transactions with PricewaterhouseCoopers relate to Internal Audit and a staff secondment. Transactions with CITB, OCN and QUB all relate to student tuition and examination costs. The transactions with SEELB are for the purchase of protective clothing and general services.

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32. LOSSES AND SPECIAL PAYMENTS

	2009	2008
	£'000	£'000
Individual Losses exceeding £1,000	50	-
Other Minor Losses	29	-
	79	-

The College incurred losses in respect of debts written off during the year as detailed above. Approval was given by the Department for any individual loss which exceeded £750.

33. SUPPORT FUNDS

	2009	2008
	£'000	£'000
Balance at 1 August	179	105
DEL grants	394	241
	573	346
Disbursed to students	(279)	(167)
Balance unspent at 31 July	294	179

Access funds are available solely for students; the College acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.