



SOUTH EASTERN REGIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2010

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**SOUTH EASTERN REGIONAL COLLEGE
OPERATING AND FINANCIAL REVIEW 2009/10**

Vision

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

Mission

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

Our values reflect our rich history, current strengths and future ambitions. We use these values to drive our strategy, customer service and curriculum. We are:

- Solution Focused
- Excellence Driven
- Responsive
- Collaborative

Solution Focused

We focus on providing creative and innovative solutions for our customer rather than academic theories. We invest in pioneering developments to make our offering customer led and take a similar approach to our internal processes and systems to avoid bureaucracy, focusing always on our end users' needs.

Excellence Driven

Our Culture of Excellence underpins everything we do, focusing on the activities which add value for customers. Our standards are recognised at an international level and we take pride in the levels of professionalism, expertise and industry experience of our staff. We are and aim to be outstanding and help our customers to achieve the same.

Responsive

We are responsive to the needs of our students, colleagues, businesses, economy and local communities.

Collaborative

We nurture relationships with stakeholders and are open to new partnerships. We create partnerships with organisations such as schools to ensure that our local community has access to the very best of education. This also includes working with others within the Further Education sector.

Implementation of Strategic Plan

Our strategy is based on the “Twenty by 20” vision 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 its income streams.

The College’s Core Goals were developed and shared with all staff in February 2009 and are continually communicated through various channels as part of the internal communications strategy. The College also engages with its student population and strongly supports the Students Union in the College.

These goals in turn drive the rolling three-year College Development Plan (CDP), which is the centre of the strategic planning process.

The current CDP (2010-2013) sets out the College’s response to the Themes and Requirements of the Department for Employment and Learning’s (DEL) Circular FE 13/09. The CDP is in four parts:

- The response to DEL requirements;
- The enrolment and Funded Learning Unit (FLU) bids for 2010/13;
- The Whole College Self-Evaluation Report (WCSEER); and
- The Whole College Quality Improvement Plan (WCQIP).

The CDP was considered and approved by the Governing Body in its meeting on 16 February 2010.

The Budget Building Process runs from March to June and is closely linked with the Curriculum Planning process. Schools and Corporate Services units specify their course and activity plans for the forthcoming year. These plans inform the overall School Curriculum Plan/ Unit Development Plan along with the School Self-Evaluation and School Quality Improvement Plans. The School Curriculum Plan (CP) is used in setting the Funded Learning Unit (FLU) forecast along with the unit plans that are incorporated in the College Development Plan. This in turn is an integral part of the College Financial Framework 2010/2020 which sets out the long term financial strategy of the College.

The staff, estate and other resource needs associated with the plans are estimated and costed. Where resource availability is insufficient then the Curriculum Plan is modified. At the stage in the planning process where forecast resources match plans the draft College Budget goes to the Governing Body for approval before submission to DEL. The monthly formal Budget Monitoring process then commences and runs throughout the financial year.

A top-down and bottom-up approach is used in developing the Whole College Self-Evaluation report (WCSEER), the Whole College Quality Improvement Plan (WCQIP), the College Development Plan (CDP) and the fundamental pursuit of a “Culture of Excellence”.

The College uses the monthly SERC "Know and Show" process to involve Heads of School, Assistant Heads of School and other unit managers in the development of the Operational Plans. At these meetings all managers, including the College Management Team review enrolment, retention and achievement rates; share good practice in relation to teaching and learning and the use of Information Learning Technology (ILT); review progress in relation to implementation of the Quality Improvement Plans; evaluate the Self Evaluation reports. The SERC "Know and Show" monthly meetings also monitor actual spend against budget, staffing and risk management for all budget holders.

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
- to fund continued capital investment

Financial Performance Indicators

During 2009/2010 the College has monitored its performance against its budget and against its prior year position via the production of a full set of College Management Accounts on a monthly basis. These College Management Accounts include an Income and Expenditure Account, Income Analysis, Expenditure Analysis, a Balance Sheet, Debtors and Creditors analysis, a Funds Flow statement, a Cash-flow forecast, a Full Year Financial Forecast and a set of Key Financial Indicators and targets which have been provided by DEL to the sector.

The College Management Accounts are reviewed on a monthly basis by the College Management Team and are presented to the Governing Body throughout the year.

The College Management Accounts form the basis of the College's Quarterly Financial Reporting submission to DEL.

In addition, the College produces a set of Departmental Management Accounts for each school or unit on a monthly basis. These Departmental Management Accounts consist of an Income and Expenditure Account and highlight actual year-to-date performance against budget. They are issued to each of the College's Budget Holders shortly after period close and are used as the basis of the College's Monthly Management Review "Know and Show" meetings at which each Budget Holder presents their department's performance against budget to the College Senior Management Team and Head of Finance.

Financial Position

Financial Results

The College generated an operating deficit in the year of £591k (2008/09 deficit of £6,774k). The result in 2009/10 is stated after accounting for exceptional restructuring costs of £45k; an FRS 17 Retirement Benefit credit of £1,061k and depreciation of £748k arising from the accelerated depreciation of buildings which were demolished as part of the PPP building projects.

The College's total income for the year was £39.8m, a £7.2m increase on 2008/09's total of £32.6m. This increase reflects an additional £5m in recurring grant funding received from DEL and an additional £2.1m received under the education contracts relating to Schools Partnerships, Training for Success and Steps to Work.

2009/2010 expenditure before exceptional items was £40.3m. This represents an increase of £1.1m on the prior year total of £39.2m and is largely a result of the increase in the College's service delivery over the previous year.

The College's historic outturn was a surplus of £955k compared with the College's original estimated outturn as per the College Development Plan of a deficit of £1,976k. Two major factors contributed to this £2,931k positive variance against budget:

- Additional DEL block grant funding of £1,261k was received in March. This funding (23.35% of a total of £5.4m available to the sector) recognised the strength of the sector's performance in the current academic year and it's exceeding of the targets in the Department's priority areas.
- Pension service cost under the actuarial valuation of the NILGOSC scheme at 31 July, showed a credit to the Income & Expenditure account of £1,061k rather than a budgeted cost of £372k, i.e. a positive variance against budget of £1,433k. This has arisen following the UK Government's changing of the basis of future public sector pension increases from the Retail Price Index (RPI) to the Consumer Price Index (CPI), together with a two year freeze on public sector pay.

In addition, the accounting treatment of the PPP buildings created a third fundamental variance against budget. Depreciation is chargeable on the Downpatrick phase 1 buildings from the date they were brought into use (15 June 2009), whilst the Unitary Payment is entirely expensed to the Income and Expenditure account as no capital amortisation will be made until completion of the project in 2011.

If these three significant variations against budget are discounted the College's result would have been a deficit of £1,477k i.e. a positive variance against budget of approximately £500k. This positive variance was delivered as a result of operational efficiency drives.

DEL had been informed at the end of Quarter 3 2010 (June 2010) that an historic cost deficit of £501k was anticipated. The actual year end result differs from this forecast mainly due to the FRS17 Retirement Benefit credit arising from the Actuarial report at the year-end – if the FRS 17 entries had created a charge in line with that originally anticipated, the year-end deficit would have been in line with the Quarter 3 forecast at approximately £478k.

The 2009/10 period saw the opening of the College's new buildings at its Newtownards and Lisburn campuses, the latter under a PPP contract.

Land and buildings were subject to a professional valuation by Land and Property Services (LPS) on 1 August 2007 on a depreciation replacement cost. These valuations were performed independently by the Land and Property Service in accordance with Department specifications. Subsequently that revaluation has been updated using indices supplied by the Land and Property Service to provided valuations as at 31 July 2008 and 31 July 2009 and an interim revaluation has been carried out by the Land and Property Service in August 2010 providing the valuation as at 31 July 2010.

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 2010 by a qualified independent actuary. The next formal valuation, as at 31 March 2010, is in the process of completion by the Independent Actuary.

Income

The College has significant reliance on DEL as its principal funding source, largely from recurrent grants. In 2009/10, DEL provided some 70% of the College's total income through allocated recurrent grant (2008/09:70%).

This represented 16.7% of the total recurrent grant available to the sector (2008/09:15.4%).

Reserves

The College's reserves and cash on hand have both reduced slightly when compared to the prior year. The College has accumulated reserves of £4,073k (2008/09:£4,180k) (excluding the FRS17 Pension Reserve) and cash balances of £3,949k (2008/09:£5,065k) as at 31 July 2010.

At approximately 10% of income, the College's 2009/2010 cash reserves are in keeping with DEL's Key Performance Indicator target for the sector.

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 UK 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 £1,116k during the year. The corresponding net cash outflow for 2008/09 was substantially higher at £6,703k, largely as a result of the payment of redundancy benefits resulting from the restructuring process.

Liquidity

With a cash balance of £3,949k (2008/09 £5,065k), the College's liquidity remains 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 2.1 (2008/09 1.9). It should be stressed that the College operates in a highly volatile sector with very high year-on-year student turnover – a realistic level of cash reserves is an essential prerequisite for operation.

Student Activities and Achievements

The College increased its student enrolments by just over 5% during the year, giving a total enrolment of 29,872 in 2009/10 compared to 28,403 in 2008/09.

- Full-time enrolments were 5,688 (2008/09 5,082)
- Full-time FE enrolments were 3,520 (2008/09 2,800)
- Full-time HE enrolments were 647 (2008/09 562)
- Full-time Training For Success enrolments were 1,462 (2008/09 1,720)
- Part-time enrolments were 24,184 (2008/09 23,321)

In terms of FLUs, the College delivered an actual total of 7,030 against its targeted FLUs of 7,125. These were made up of:

- FE 5,432 (against a target of 5,569 and a 2008/09 actual total of 5,146)
- HE 1,148 (against a target of 1,005 and a 2008/09 actual total of 1,045)
- ESS 450 (against a target of 551 and a 2008/09 actual total of 380)

Recent successes for the College and its students include:

- Motor Vehicle apprentice Neil Milligan was awarded second place in the Northern Ireland Light Vehicle Apprentice of the Year 2009
- Student Tony Loudon won the Gold Award for the NI Certificate in Personnel Practice at the CIPD awards
- Media Student Sherida Burns won the Dermot Curran Enterprise Award
- At Skillbuild 2009 SERC had 9 1st places, 4 2nd places and 1 3rd place winners
- South Eastern Regional College Students' Union was shortlisted for 'Student Union Equality and Diversity Award' in The 2010 Nation Union of Students Awards

- Student John McAnally was named NI Learner of the Year (24 years and under) at the UK-wide Vocational Qualifications (VQ) Awards
- Student Chris Kilpatrick received the ‘Student Management Potential Award’ at the 15th Annual Janus Awards for Professionalism hosted by the Institute of Hospitality
- Student Andrew Imrie won an award at the prestigious Wine and Spirits Educational Trust (WSET) Awards Ceremony
- Students Brooke Pastuszak, Ashleigh Dickson and Laurie Gaffney were crowned Northern Ireland School U19 Novice Trampoline Champions
- Performing Arts students finished first and third place at a regional heat of WorldSkills UK which took place in New Nottingham College
- The Education and Training Inspectorate (ETI) reported favourably on the College’s quality following a range of inspections, for example: Priority Skills Level 3 provision received an overall grade 2 (“Very Good”); Level 3 computing achieved a grade 1 (“Outstanding”); Several areas within SERC were deemed to be outstanding areas of best practice - ILT, SERC Extra, Knowledge Management and business innovation; Training for Success achieved a grade 2 (“Very Good”) and was commended as a best practice model
- The College was named the joint winner of the prestigious “General Further Education” category at the second annual Next Generation Learning Awards. These awards from BECTA, the government agency for technology in learning, aim to reward technological excellence in the Further Education and Skills sector
- The College won the NI Business Excellence in Marketing award in November 2009
- The College achieved the Matrix Quality Standard Award for its careers service
- The College developed a partnership with Toyama Technical College, Japan resulting in a Staff and Student Exchange Programme in engineering and technology. This means that we are giving students access to the most up to date engineering and technology knowledge and preparing them to compete on an international basis

Curriculum and Other Delivery Developments

As part of the Northern Ireland Further Education sector the College is the delivery arm for the government to ensure that the NI economy has the skills to grow, innovate and operate on a global platform. The College aspires to be recognised for the excellence of its teaching and learning provision, performance standards and the student experience and to this end seeks to respond to the needs of all stakeholders, for example:

- In terms of school partnerships, a new curriculum provision was negotiated with Lisburn, North Down and East Belfast schools during the year to take place during “twilight” (i.e. late afternoon / early evening) timetable slots, at the Lisburn and Bangor Campuses. The College worked with over 36 schools to ensure that school children had access to high quality vocational courses.
- A “Job Bootcamp” was launched in response to research which indicated that many unemployed individuals had valuable experience but did not have the 4 GCSEs which employers want. The Bootcamp, the only one of its kind in the sector, ran on the Bangor, Lisburn and Downpatrick campuses. Many participants went on to secure employment and many others have now enrolled on courses at SERC to further their education.
- The College leads the Rapid Response programme for the Northern Ireland Further Education sector. This programme is designed to help companies who have had to make staff redundant or redeploy staff as a result of the economic downturn.

The College’s role is to build sustainable economic growth and increase prosperity by providing a highly skilled and flexible workforce as well as working with businesses to support innovation and business growth. To achieve this, the College is focusing on:

- **Helping people to overcome educational disadvantage.** Raising the literacy, numeracy and information & communications Technology (ICT) skills of the local population is one of the College’s top priorities. Furthermore, the College has invested in a unique pastoral care package designed to help students overcome financial hardship, learning difficulties, confidence issues and social problems.

- **Developing a hub for Science and Technology capabilities.** Broadening the curriculum provision in areas such as life sciences, agri-food and advanced engineering; ensuring a clear progression route for students enrolling on STEM courses (Science, Technology, Engineering & Mathematics); and broadening collaboration with local schools to help build awareness of STEM subjects and even provide qualifications in these areas to school children.
- **Professionalising the workforce.** Recent years have shown that even the most traditional of professions can suffer at the hands of an economic downturn. The importance of having the skills and flexibility to transfer your expertise has never been greater. As well as providing full-time education for those who have left school without GCSEs at grade C or above, and offering part-time options for those who are currently in the workforce but have never attained a level 2 qualification, the College also provides professional development qualifications across a wide range of vocations in association with world renowned industry organisations such as the Chartered Institute of Personnel and Development (CIPD), the Chartered Institute of Marketing (CIM) and the Chartered Management Institute (CMI).
- **Encouraging Innovation, Enterprise and Entrepreneurship.** Local companies must become more innovative and invest more in research and development. A culture of enterprise and business growth has to be encouraged. SERC will continue to develop collaboration in innovation with local businesses while also working with enterprise organisations to deliver training and mentoring to new businesses.
- **Supporting and Developing Careers.** Career support and development is a crucial element of the College's service. It provides advice to enable students to make the most informed decision. The SERC Career Cluster Model has been developed to identify key career pathways and the transferable skills people require to eventually have a career portfolio. This means that our students are assigned to a Career Cluster with a programme of study which will equip them with the technical, managerial and employability skills they need.

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 2010, 58% (2008/09: 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. The average number of payment days during 2009/10 was 32 (2008/09: 44).

Post Balance Sheet Events

On 13 October 2010, the Office of National Statistics announced the reclassification of further education colleges to the central government sector. Prior to this announcement colleges had been classified within the private sector as non-profit institutions serving households. This announcement does not, however, affect the legal status of the colleges. The potential future financial implications of this announcement are not yet known.

Future Developments

Going forward, the College will continue to pride itself on a wide-ranging offering, delivered on both a full-time and part-time basis, relating to numerous career pathways and aimed at:

- **School Children.** SERC offers school children aged between 14 and 16 who are still at school as opportunity to experience the wide range of career options available to them.
- **School Leavers.** The College offers school leavers courses which are designed to start them out in their chosen careers with the right practical skills and knowledge.
- **Adult Education.** The largest portion of the College's enrolments are part-time students who are either in employment and wishing to up skill or retrain, unemployed but seeking to get a job or those who wish to learn for social or leisure reasons.
- **Businesses.** The College will continue to strive to work closely with businesses to design and deliver industry focussed curriculum, to keep staff up-to-date with the latest developments, provide student placements and to give companies access to the expert resources of the College.

The College has achieved a FLU award for 2010/2011 of 7,410. This is made up of 5,586 FE FLUs, 694 Essential Skills FLUs and 1,130 HE FLUs. This represents a 4% increase on the 7,125 award for 2009/10 and a total allocation of £25,125K for 2010/2011.

The College is committed to its goal of achieving a balanced budget and financial viability over the medium to longer term. In 2009/10 the College implemented a carefully selected range of income development strategies and efficiency savings that did not impact on quality and sustainability and which have been instrumental in achieving the 2009/10 result. This high-profile emphasis on value-for-money throughout the College and the achievement of an increased FLU award which represents “critical mass” in terms of efficiency of delivery are fundamental aspects of the College’s approach to developing the 2010/11 budget and its financial planning for the foreseeable future.

Resources

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

Estate

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 currently has an ongoing campus development plan. Existing campus buildings in Ballynahinch, Downpatrick, Lisburn and Newcastle have either been replaced or are in the process of being replaced with new-builds under PPP projects.

The new Newcastle and phase 1 of the new Downpatrick campuses became operational in June 2009; the new Lisburn campus became operational in April 2010; the new Ballynahinch campus and phase 2 of Downpatrick will both become operational in 2011.

In addition to the PPP project new-builds, a new Construction Skills Centre at the Newtownards campus also became operational in early 2010.

The College’s estate consists of land valued at £16,685k as at 31 July 2010, freehold buildings valued at £60,193k as at 31 July 2010 and buildings under construction of £1,573k as at 31 July 2010. The estate includes campuses at:

- Bangor
- Newtownards
- Lisburn
- Downpatrick
- Newcastle
- Ballynahinch
- Ballyboley
- Hollywood

Financial

Net assets at 31 July 2010 were £36,081k (2008/09 £47,664k). This includes £7,628k pension liability (2008/09 £8,564k).

People

The College employs 819 people (expressed as full time equivalents), of whom 491 are teaching staff.

Principal Risks and Uncertainties

The College has developed and embedded a system of internal control, including financial, operational and risk management which is designed to protect the College’s assets and reputation.

A risk management policy is in place and has been approved by the College’s Audit Committee and Governing Body. This policy clearly outlines the risk management arrangements across the College, including respective roles and responsibilities, and the mechanisms for identifying and prioritising risks.

A Risk Management Committee has been established, consisting of Departmental risk owners. This group meets on a regular basis, with a schedule of meetings for the year outlined in advance. This group is responsible for the updating of the Corporate Risk Register.

The College operates a formal system of Monthly Management Review meetings (“Know and Shows”) at which budget holders report to the Senior Management Team outlining their department’s financial performance against plan and reviewing other key performance indicators. A key element of these monthly review meetings is the presentation of each department’s operational risk register and a review of the steps being taken to ensure appropriate internal controls are maintained and to mitigate identified risks. A register of collated operational risks is maintained by the Finance Department and is reviewed by the Risk Management Team to identify any which should be escalated to the corporate risk register.

Both the corporate and departmental risk registers identify 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.

The corporate risk register is reviewed at each Audit Committee meeting, with Departmental risk registers submitted on request. The overall responsibility for the on-going review and monitoring of risk management arrangements across the South Eastern Regional College lies with the Director of Corporate and Economic Development.

As of August 2010, the Risk Register contained 22 active risks: 17 category A; 5 category B and 0 category C. There have been 59 risks identified since September 2007, with 39 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

The College continues to drive efficiencies by reviewing the delivery methods of the Programme Led Apprenticeship (PLA) and class sizes within the curriculum. A Senior Management Team staff briefing explaining the need to drive efficiencies throughout 2010/11 took place in August 2010. The Senior Management Team is setting efficiency targets for each department which will be monitored on a monthly basis throughout the year.

The College has considerable reliance on continuing government funding. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

Failure to retender for the Training for Success (TfS) contracts as a result of uncertainty regarding funding and procurement.

Such a failure would mean the College would not be able to meet its core goals with respect to overcoming educational disadvantage and encouraging innovation and entrepreneurship. It would also have a significant financial impact.

DEL informed the Colleges in July 2010 that the timescale for retendering was to be pushed back due to advice from the Central Procurement Directorate (CPD). CPD review will take account of TfS costs and income and will model the options for retendering in 2011. Financial savings in the delivery method of the PLA have been identified and are being implemented for 2010/11 courses. The College is currently developing proposals for a delivery model that could secure an economically viable delivery model for PLA.

Failure to deliver the Performing Arts and Technology Centre (PACTIC) at the Bangor Campus.

The PACTIC project has been suspended due to a withdrawal of funding by DEL. This has led to reduced accommodation space in the Bangor Campus in the short term and a potential loss of access to state-of-the-art, fit-for-purpose facilities for the students in the longer term. As part of the next Comprehensive Spending Review (CSR) exercise which covers a four year period from April 2011 DEL have included a further bid for PACTIC resources.

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;
- Universities; and
- Elected Representatives.

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:

1. between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
2. between men and women generally;
3. between persons with a disability and persons without; and
4. 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 by agreement 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
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

Internal Auditors: PricewaterhouseCoopers LLP
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Bankers: Bank of Ireland
12 Conway Square
Newtownards
BT23 4DJ

Solicitors: Carson McDowell
Murray House
Murray Street
Belfast
BT1 6DN

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, Company Secretary, Abibel Properties, Chairman, Association of Northern Ireland Colleges.
Mr Russell Andrews	Staff Representative
Mr Norman Bennett	Director of Finance, Queen's University, Belfast
Ms Heather Farley	Head of Department (Management), University of Ulster (From January 2010)
Mr John Ferris	Chair of Directors, St Patrick Centre Downpatrick; Lay Magistrate and Justice of the Peace
Mr Samuel Gallaher	Executive Director of Skills for Health
Mr James Hunt	Director of Progressive Building Society, Golf Holdings Ltd and Hampton Properties Ltd, SEELB Audit Committee Member, Opera Company of Northern Ireland Ltd, Chartered Accountants Regulatory Board Member
Mr Edward Jackson	Financial Director, Ballykeel Developments Ltd and Grainger Building Services Ltd (From April 2010)
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 (resigned December 2009)
Mr Alastair McDowell OBE	NI Library Authority Member
Mr Laurence O'Neill	Director of Finance, Business Services Organisation
Mrs Beth Porter	Chief Librarian (Retired), South Eastern Education and Library Board
Professor Deirdre Vincent	Governor, Wellington College Belfast
Mr Ken Webb	Principal and Chief Executive
Ms Sabrina Orr	Student Representative (Resigned 30 September 2009)
Miss Adrienne Peltz	Student Representative (from January 2010)

For and on behalf of the members of the Governing Body



 Chairman

23/4/10

 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' Superannuation 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 (Audited)

Senior Management	2009-10		2008-09	
	Salary £'000	Benefits in kind £	Salary £'000	Benefits in kind £
Mr K Webb Director	105-110	0	100-105	0
Mr T Keating Deputy Director	75-80	0	70-75	0
Dr M Malone Deputy Director	75-80	0	70-75	0
Mrs E Ross (Retired) Deputy Director	0	0	70-75	0
Mr D Smith Deputy Director	75-80	0	70-75	0

'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' Superannuation Scheme (NITSS) 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 NITSS 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 NITSS 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 NITSS 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 (Audit)

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 31/7/10 and related lump sum £'000	Real increase in pension and related lump sum at age 60 £'000	CETV at 31/7/10 £'000	CETV at 31/7/09 £'000	Real increase in CETV £'000
Mr K Webb Director	25-30 Plus lump sum of 0*	2-2.5 0*	376	368	8
Mr T Keating Deputy Director	20-25 Plus lump sum of 70-75	2-2.5 Plus lump sum of 7-7.5	381	376	5
Dr M Malone Deputy Director	25-30 Plus lump sum of 75-80	3-3.5 Plus lump sum of 9-9.5	467	452	15
Mr D Smith Deputy Director	20-25 Plus lump sum of 65-70	2.5-3 Plus lump sum of 7.5-8	347	342	5

* An entrant to the NITSS 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 NITSS on 1 July 2008 so this condition applied.

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.

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 2009/10 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 2009/10 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 7 times during the 2009/10 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 5 times during the 2009/10 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 2009/10 year.



Accounting Officer

23 Nov 10

Date

**SOUTH EASTERN REGIONAL COLLEGE
STATEMENT OF THE RESPONSIBILITIES OF THE GOVERNING BODY
FOR THE YEAR ENDED 31 JULY 2010**

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 2010**

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 Managing Public Money 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 on-going 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 2010 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 2010 with all budget holders throughout the College assessing their own departments and submitting a Departmental Statement of Internal Control to the Accounting Officer.

Risk management has been incorporated fully into the corporate planning and decision making processes of the College:

- The College has a Risk Management Team which meets regularly to review and update the register of corporate risks facing the organisation.
- The College operates a formal system of Monthly Management Review meetings ("Know and Shows") at which budget holders report to the Senior Management Team outlining their department's financial performance against plan and reviewing other key performance indicators. A key element of these monthly review meetings is the presentation of each department's operational risk register and a review of the steps being taken to ensure appropriate internal controls are maintained and to mitigate identified risks. A register of collated operational risks is maintained by the Finance Department and is reviewed by the Risk Management Team to identify any which should be escalated to the corporate risk register.
- The College also holds regular management meetings to review enrolments, retentions and achievements and to review and assess quality.
- A fundamental aspect of the College's control framework is the continual development of policies and standard operating procedures. Key policies and procedures are identified as mandatory training for all staff. Completion of such online training is monitored by College management.

In the coming year the College plans to development its review meetings further – more wide ranging “Monthly Performance Reviews” will replace the Monthly Management Reviews. The new format will continue to review financial performance against plan and targets but will also extend the review of other quantitative and qualitative key performance indicators further.

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.

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.

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.

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.

Area reviewed	Section	Assurance rating
Procurement and Contracting		Satisfactory
Financial Controls		Substantial
Examination and Registration		Substantial
IT Infrastructure and Computer-related Controls		Satisfactory
Risk Management, Corporate Governance and Budgetary Control		Substantial
Corporate Governance – Committee Structure		Substantial
Student Support Funds	Student Support Fund	Limited
	Additional Support Fund	Substantial

Significant internal control problems

Prior Year Issues

All recommendations relating to prior year issues have been fully implemented.

Current Year Issues

The College received a “limited assurance” from its internal auditor, PricewaterhouseCoopers, following the internal audit review of the Student Support Fund which was carried out in 2010.

There were two Priority 1 issues identified during the course of the review. Recommendations were:

1. SERC prepare detailed budgets in relation to the allocation of the Student Support Fund once funding has been agreed with DEL. In a difficult economic environment, matched with the potential for increased applications, these budgets should consider the basis and amount of funding allocation (e.g. on a first come first served basis). These budgets should be closely monitored throughout the financial year, ensuring that committed funding provided to each student can be met by the College fund.
2. All applications to the Student Support Fund are processed within the recommended 42 day time-frame.

The College accepted both these recommendations and responded:

1. The College will be adopting a "first come, first served" criteria for applications to the Support Funds for 2010/11. Students will be advised of the total of their award, which is paid in 3 term payments, when the application has been approved. This projected amount will be included against each student and deducted from the overall budget. When the Hardship Fund allocation has been exhausted, no further funding will be available to any new applicants.
2. The College has revised its application procedures and students will be given an appointment to meet with a Funding Officer before an application is accepted. The Funding Officer will not accept the application form until all documentation is present and correct. This will reduce the volume of incomplete applications received and improve the processing time for completed applications. The College is also developing an on-line tracking service for students where they can track their application form and which will give them an approximate date for payment release. With the removal of child care payments from the Hardship Fund, this will also permit a faster processing period.

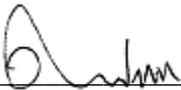
The College received a "satisfactory assurance" from its internal auditor, PricewaterhouseCoopers following the internal audit review of IT Infrastructure and Computer-related Controls which was carried out in 2010. However, there was one Priority 1 issue identified during the course of the review. The recommendation was:

1. An immediate review by management of all user access to the Trainee Management System (TMS) with the Department for Employment and Learning (DEL) to confirm who has access to the TMS system and why that access is required. If access to the TMS system is not required then the account should be immediately disabled. Furthermore, there should be a periodic review of all Domain, Citrix, Agresso, TMS and QL access every six months to verify that all user access is authorised and appropriate.

The College accepted the recommendation and responded:

1. Management agree that a review should take place in conjunction with DEL in relation to active user accounts and access levels within the TMS system. It should be noted that co-operation from DEL is a critical aspect of this measure and is essential if a satisfactory conclusion is to be reached. Discussions with DEL involving the College's Internal Auditors have commenced. Management also accept that a regular review of TMS user accounts and access should be conducted in conjunction with DEL.

The College regularly reviews access to Agresso, and QL and will continue to do so on a 6 monthly basis.


Accounting Officer

23 Nov 10
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 2010 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, 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

As explained more fully in the Statement of Responsibilities of the Governing Body, the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the South Eastern Regional College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the South Eastern Regional College; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

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.

Opinion on financial statements

In my opinion:

- The financial statements give a true and fair view of the state of the South Eastern Regional College's affairs as at 31 July 2010, and of its deficit, cash flows and total recognised gains and losses for the year then ended; and
- The financial statements 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 Department for Employment and Learning directions issued thereunder.

Emphasis of matter

I draw attention to Notes 8 and 21 to the financial statements which detail the pension cost incurred by the College during the year. In its June 2010 budget the Government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Prices Index (RPI). This change has resulted in a credit of £1.498m to the Income and Expenditure account. The College has considered the NILGOSC scheme rules and associated members' literature and has concluded that this is a change in benefits and so has recognised the resulting credit of £1.498m in the Income and Expenditure account. At the date of certifying these financial statements, the Urgent Issues Task Force (UITF) is in the process of consulting widely on the accounting treatment for this change and is expected to issue an Abstract towards the end of 2010.

Should the Abstract call for a different accounting treatment it may be necessary to reflect any change as a prior period adjustment in the financial statements. Such a change would result in the deficit for the year increasing from the reported figure of (£0.591m) to (£2.089m). My opinion is not qualified in respect of this matter.

Opinion on other matters

In my opinion:

- the part of the Remuneration report to be audited has been properly prepared in accordance with Department for Employment and Learning directions issued under by 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 information given in the Operating and Financial Review and the unaudited part of the Remuneration Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit.
- The Statement on Internal Control does not reflect compliance with Department of Finance and Personnel's guidance.

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 2010

SOUTH EASTERN REGIONAL COLLEGE
INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 July 2010

		2010	2009
	<u>Notes</u>	£'000	£'000
INCOME			
Department for Employment and Learning Grants	2	27,944	22,785
Education contracts	3	9,180	6,935
Tuition fees and charges	4	1,071	1,128
Other grant income	5	783	640
Other operating income	6	727	794
Investment income	7	106	298
Total income		39,811	32,580
EXPENDITURE			
Staff costs	8	25,107	25,006
Other operating expenses	10	13,042	10,098
Depreciation	13	2,208	4,140
Total expenditure before exceptional items		40,357	39,244
Deficit on continuing operations after depreciation of assets at valuation and before tax and before exceptional items		(546)	(6,664)
EXCEPTIONAL ITEMS			
Exceptional restructuring costs (staff)	8	10	50
Exceptional costs (non staff restructuring costs)	10	35	60
Deficit on continuing operations after depreciation of assets at valuation and before tax		(591)	(6,774)
Taxation	11	-	-
Deficit on continuing operations after depreciation of assets at valuation and tax	12	(591)	(6,774)

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

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

SOUTH EASTERN REGIONAL COLLEGE
STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS
for the year ended 31 July 2010

		2010	2009
	<u>Notes</u>	£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation and tax		(591)	(6,774)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	<u>1,546</u>	<u>3,865</u>
Historical cost surplus/(deficit) for the year		<u>955</u>	<u>(2,909)</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 2010

		2010	2009
	<u>Notes</u>	£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation and tax		(591)	(6,774)
Revaluation of fixed assets	19	(14,884)	(5,957)
Actuarial losses in respect of pension scheme	21	<u>(126)</u>	<u>(4,444)</u>
Total recognised losses for the year		<u>(15,601)</u>	<u>(17,175)</u>

		2010	2009
		£'000	£'000
Reconciliation of movement in reserves			
Opening reserves as previously reported		41,061	3,172
Prior year adjustment in respect of FRS17 charge		-	(203)
Prior year adjustment in respect of opening reserves		<u>-</u>	<u>55,267</u>
Opening reserves as restated		41,061	58,236
Total recognised (losses)/gains for the year		<u>(15,601)</u>	<u>(17,175)</u>
Closing Reserves		<u>25,460</u>	<u>41,061</u>

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

SOUTH EASTERN REGIONAL COLLEGE
BALANCE SHEET
as at 31 July 2010

		2010	2009
	<u>Notes</u>	£'000	£'000
Fixed assets			
Tangible assets	13	<u>78,816</u>	<u>66,030</u>
Total fixed assets		<u>78,816</u>	<u>66,030</u>
Current assets			
Debtors	14	2,927	1,358
Cash at bank and in hand		<u>3,948</u>	<u>5,065</u>
Total current assets		6,875	6,423
Less: Creditors - amounts falling due within one year	15	(3,387)	(3,385)
Less: PPP finance lease creditor - amounts falling due within one year		<u>(541)</u>	<u>-</u>
Net current assets		<u>2,947</u>	<u>3,038</u>
Total assets less current liabilities		81,763	69,068
Less: Creditors – amounts falling due after more than one year	16	-	-
Less: Provision for liabilities and charges	17	(212)	(212)
Less: PPP finance leases – amounts falling due after more than one year		<u>(37,842)</u>	<u>(12,628)</u>
Net assets excluding pension liability		43,709	56,228
NILGOSC Pension fund creditor	21	<u>(7,628)</u>	<u>(8,564)</u>
Net assets including pension liability		<u>36,081</u>	<u>47,664</u>

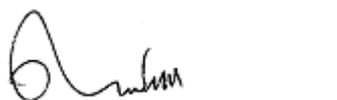
SOUTH EASTERN REGIONAL COLLEGE
BALANCE SHEET (continued)
as at 31 July 2010

		2010	2009
	<u>Notes</u>	£'000	£'000
Deferred capital grants	18	10,621	6,603
Reserves			
Revaluation reserve	19	29,015	45,445
Income and expenditure account excluding pension deficit	20	4,073	4,180
Pension deficit	21	<u>(7,628)</u>	<u>(8,564)</u>
Income and expenditure account including pension deficit	20	<u>(3,555)</u>	<u>(4,384)</u>
Total reserves		<u>25,460</u>	<u>41,061</u>
Total funds		<u>36,081</u>	<u>47,664</u>

The financial statements on pages 23 to 52 were approved by the Governing Body of South Eastern Regional College on 23 November 2010 and were signed on its behalf on that date by:



Mr B Acheson
Chairman of Governing Body
South Eastern Regional College



Mr K Webb
Chief Executive, Principal & Accounting Officer
South Eastern Regional College

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 2010

	<u>Notes</u>	2010 £'000	2009 £'000
Cash (outflow)/inflow from operating activities	22	24,456	(6,187)
Returns on investments and servicing of finance	23	106	298
Capital expenditure and financial investment	24	(25,605)	(689)
Financing	25	<u>(73)</u>	<u>(125)</u>
(Decrease)/increase in cash in the year		<u>(1,116)</u>	<u>(6,703)</u>
 Reconciliation of net cash flow to movement in net funds/(debt)			
		2010 £'000	2009 £'000
(Decrease)/increase in cash in the year		<u>(1,116)</u>	<u>(6,703)</u>
Movement in net funds in the year		(1,116)	(6,703)
Net funds at 1 August		<u>5,065</u>	<u>11,768</u>
Net funds at 31 July		<u>3,949</u>	<u>5,065</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 2010**

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.

Recognition of Income

The recurrent grant from DEL represents the funding allocations attributable to the current financial year and is credited directly 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 Superannuation Scheme (NITSS) 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 NITSS 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 NITSS 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 NITSS 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 2010**

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. 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.

**SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010**

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.

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. Lisburn PPP property came into use on 12 April 2010 and has been capitalised at market value as determined by an independent professional valuer on the basis of depreciated replacement cost. The College will obtain a fair market value of Downpatrick Phase 1 and Newcastle PPP properties 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.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College 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 partially exempt in respect of VAT, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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 £39k 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 2010

2. DEPARTMENT FOR EMPLOYMENT AND LEARNING GRANTS

	2010	2009
	£'000	£'000
Recurrent grant	25,129	21,756
Release of deferred capital grants	253	206
EMA Administration	39	24
Major Works	9	-
Minor Works	24	102
Essential Skills	-	15
Health & Safety	-	13
Learner Access & Engagement	125	36
Public Private Partnership (PPP)	1,947	126
Additional Support Funds (ASF)	270	207
ASF Discrete Provision*	-	149
Care to Learn	65	52
Other	83	99
	27,944	22,785

* ASF Discrete Provision grant for 2009/10 is included within Recurrent Grant.

3. EDUCATIONAL CONTRACTS

	2010	2009
	£'000	£'000
VEP School Link Courses	1,432	991
Training for Success/Jobskills	5,971	4,675
Steps to Work/New Deal	675	335
Training Organisation – Other	120	163
Higher Education (HE) income	982	771
	9,180	6,935

4. TUITION FEES AND CHARGES

	2010	2009
	£'000	£'000
Home and other European Union	1,030	1,128
Non-European Union	41	-
	1,071	1,128

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010

5. OTHER GRANT INCOME

	2010	2009
	£'000	£'000
European funds	-	25
Other funds	783	615
	783	640

6. OTHER OPERATING INCOME

	2010	2009
	£'000	£'000
Catering and residence operations	150	159
Other income generating activities	72	73
Other income	505	562
	727	794

7. INVESTMENT INCOME

	2010	2009
	£'000	£'000
Other interest receivable	106	298
	106	298

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010

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:

	2010	2009
	Number	Number
Teaching	491	491
Support	94	103
Administration	214	220
Premises	20	24
Total	819	838

	2010	2009
	£'000	£'000
Staff costs for the above persons		
Teaching	17,144	15,595
Support	1,992	2,085
Administration	5,420	6,645
Premises	551	681
	25,107	25,006
Exceptional staff costs (redundancy)	10	50
Total	25,117	25,056

Wages and salaries	22,020	20,878
Social Security costs	1,593	1,499
Other pension costs (including FRS 17 adjustments)	1,494	2,629
	25,107	25,006
Exceptional staff costs (redundancy)	10	50
Total	25,117	25,056

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010

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	
	2010	2009	2010	2009
	Number	Number	Number	Number
£60,001 to £70,000	-	-	3	2
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	3	4	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	1	-	-
£120,001 to £130,000	1	-	-	-
	<hr/>		<hr/>	
	4	5	3	2

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.

	2010	2009
	Number	Number
The number of senior post-holders including the Chief Executive/Principal(s) was:	4	5
Senior post-holders' emoluments are made up as follows:		
	2010	2009
	£'000	£'000
Salaries	341	396
Benefits in kind	-	-
Pension contributions	46	54
	<hr/>	<hr/>
Total emoluments	387	450

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010

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

	2010	2009
	£'000	£'000
Salaries	106	104
Benefits in kind	<u>-</u>	<u>-</u>
	106	104
Pension contributions	<u>14</u>	<u>18</u>
	120	122

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.

Overseas Activities

There was £1,879 incurred by the College in respect of overseas activities by Senior Staff during the course of the year in accordance with the strategy approved by the Governing Body. There were no overseas activities related to members of the Governing Body.

**SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010**

10. OTHER OPERATING EXPENSES

	2010	2009
	£'000	£'000
Direct teaching	758	838
Direct support	4,239	3,703
Administration	2,267	2,341
Consultancy Fees	18	23
Premises	3,218	2,982
Unitary payments – PPP operating cost	1,306	107
Unitary payments – PPP finance lease interest	1,236	104
	13,042	10,098
Exceptional costs (merger expenses)	35	60
Total	13,077	10,158

Other operating expenses include:

	2010	2009
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	43	28
Internal audit	22	29
Other services provided by the financial statements auditor	-	-
Other services provided by the internal auditors	-	32
Profit on disposal of fixed asset	3	-

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

	2010	2009
	£'000	£'000
The deficit on continuing operations for the year is made up as follows:		
College's deficit for the year	(591)	(6,774)

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010

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 2009	29,030	35,222	6,154	1,714	404	207	159	72,890
Additions	-	25,930	3,874	54	16	4	-	29,878
Disposals	-	-	-	(5)	-	-	-	(5)
Deficit on revaluation	(12,345)	(2,539)	-	-	-	-	-	(14,884)
Reclassified assets	-	8,455	(8,455)	-	-	-	-	-
At 31 July 2010	16,685	67,068	1,573	1,763	420	211	159	87,879
Depreciation								
At 1 August 2009	-	4,864	-	1,316	379	159	142	6,860
Charge for the year	-	1,264	-	134	23	28	11	1,460
Accelerated depreciation	-	748	-	-	-	-	-	748
Disposals	-	-	-	(5)	-	-	-	(5)
Revaluation	-	-	-	-	-	-	-	-
Reclassified Assets	-	-	-	-	-	-	-	-
At 31 July 2010	-	6,876	-	1,445	402	187	153	9,063
Net book value at 31 July 2010	16,685	60,192	1,573	318	18	24	6	78,816
Net book value at 31 July 2009	29,030	30,358	6,154	398	25	48	17	66,030

Surplus on Revaluation

Land and buildings were last subject to a full revaluation in August 2007 on a depreciated replacement cost basis. The valuations were performed independently by the Land and Property Service in accordance with Department specifications. Subsequently that revaluation has been updated using indices supplied by the Land and Property Service to provide valuations as at 31 July 2008 and 31 July 2009 and an interim revaluation has been carried out by the Land and Property Service in August 2010 providing the valuation as at 31 July 2010. These revaluations have 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 £748k on 39 Castle Street Lisburn, which was demolished as part of the PPP building project. These buildings have been depreciated in 2009/10 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 £39,732k (2008: £12,596k) in respect of assets held under finance leases (PPP).

**SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010**

Income & Expenditure Account – Depreciation

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

	2010	2009
	£'000	£'000
Charge for the year	1,040	907
Accelerated depreciation on buildings	748	3,201
Assets held under finance leases	420	32
	2,208	4,140
Original cost of reclassified assets	-	-
Cumulative depreciation on declassified assets	-	-
Charge in the Income & Expenditure Account	2,208	4,140

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010

14. DEBTORS

	2010	2009
	£'000	£'000
Amounts falling due within one year:		
Amounts due from the Department	1,029	465
Trade debtors	1,435	637
Prepayments and accrued income	463	256
	2,927	1,358

15. CREDITORS: AMOUNTS FALLING DUE WITHIN 1 YEAR

	2010	2009
	£'000	£'000
DEL Loan	-	73
Payments received in advance	372	342
Trade creditors	995	973
Taxation and social security	628	-
Trade accruals	773	982
Redundancy accruals	-	353
Amounts owed to the Department	619	662
	3,387	3,385

16. CREDITORS: AMOUNTS FALLING DUE AFTER 1 YEAR

	2010	2009
	£'000	£'000
DEL Loan	-	-

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

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Other	Total
	£'000	£'000
At 1 August 2009	212	212
Expenditure in the period	-	-
At 31 July 2010	212	212

The provision relates to a claim from a supplier of catering and cleaning services for costs incurred in connection with the transfer of staff under the TUPE provisions. This claim is disputed and is currently with the College's solicitor.

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010

18. DEFERRED CAPITAL GRANTS

	DEL grants £'000	Total £'000
At 1 August 2009		
Land and buildings	6,186	6,186
Other assets	418	418
	<u>6,604</u>	<u>6,604</u>
Cash received		
Land and buildings	4,229	4,229
Other assets	41	41
	<u>4,270</u>	<u>4,270</u>
Released to Income and Expenditure Account		
Land and buildings	(92)	(92)
Other assets	(161)	(161)
	<u>(253)</u>	<u>(253)</u>
At 31 July 2010		
Land and buildings	10,323	10,323
Other assets	298	298
	<u>10,621</u>	<u>10,621</u>
Total	<u>10,621</u>	<u>10,621</u>

19. REVALUATION RESERVE

	2010 £'000	2009 £'000
At 1 August	45,445	55,267
Revaluations in the period (as per note 13)	(14,884)	(5,957)
Transferred from deferred capital grants	-	-
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets	<u>(1,546)</u>	<u>(3,865)</u>
At 31 July	<u>29,015</u>	<u>45,445</u>

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010

20. INCOME AND EXPENDITURE ACCOUNT

Income and expenditure account reserve

	2010	2009
	£'000	£'000
At 1 August as previously stated	-	3,172
Prior year adjustment in respect of FRS17 charge	-	(203)
	<u> </u>	<u> </u>
As at 1 August as stated	(4,384)	2,969
Deficit retained for the year	(591)	(6,774)
Transfer from revaluation reserve	1,546	3,865
Actuarial losses in respect of pension scheme	(126)	(4,444)
	<u> </u>	<u> </u>
At 31 July 2010	<u>(3,555)</u>	<u>(4,384)</u>
Balance represented by :		
Pension deficit	(7,628)	(8,564)
Income and expenditure account reserve excluding pension deficit	4,073	4,180
	<u> </u>	<u> </u>
At 31 July 2010	<u>(3,555)</u>	<u>(4,384)</u>

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010

21. PENSION AND SIMILAR OBLIGATIONS

The College's employees belong to two Principal/Director pension schemes: the Northern Ireland Teachers' Superannuation Scheme (NITSS) 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

	2010	2009
	£'000	£'000
NITSS: contributions paid	1,783	1,625
NILGOSC: charge to the income and expenditure account (staff costs)	771	656
Enhanced pension charge to income and expenditure account	(1,061)	348
	<hr/>	<hr/>
Total pension cost for the year	<u>1,493</u>	<u>2,629</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the NITSS was as at 31 March 2004 and NILGOSC was as at 31 March 2010.

NITSS

The NITSS 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, and on the Department of Education's website at www.deni.gov.uk.

The Government Actuary's Department values the scheme every 4 years with an interim valuation in the intervening 2-year period using the projected unit credit method. A full actuarial review of the scheme as at 31 March 2008 is currently in progress and is substantially complete.

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 NITSS 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 NITSS 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 2010

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 2010 by a qualified independent actuary.

	2010	2009	2008
	%	%	%
Pension increase rate	2.9	3.7	3.8
Salary increase rate	4.9	5.2	5.3
Expected return on assets	6.7	6.8	7.3
Discount rate	5.4	6.0	6.7

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

	2010	2009
Retiring today		
Males	20.8	19.6
Females	24.1	22.5
Retiring in 20 years		
Males	22.3	20.7
Females	25.7	23.6

	Long term rate of return expected at 31 July 2010	Value at 31 July 2010		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
		£'000			£'000			£'000
Equities	7.30%	11,403		7.30%	9,436		7.80%	9,114
Bonds	4.80%	2,311		5.30%	1,452		5.70%	1,608
Property	5.30%	1,079		5.30%	726		5.70%	953
Cash	4.40%	616		4.30%	484		4.80%	232
Market value of assets		15,409			12,098			11,907
Present value of liabilities		(23,037)			(20,662)			(15,680)
Deferred tax liability		-			-			-
Deficit in the scheme		(7,628)			(8,564)			(3,773)

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010

Recognition in the Income and Expenditure account

	2010	2009
	£'000	£'000
Current service cost	865	560
Interest cost on pension liabilities	1,267	1,096
Expected return on pension scheme assets	(853)	(913)
Past service cost*	(1,498)	223
Losses on curtailments and settlements	-	603
Total	<u>(219)</u>	<u>1,569</u>
Actual return on plan assets	<u>2,405</u>	<u>(1,028)</u>
Analysis of pension finance (cost)/income		
Expected return on pension scheme assets	853	913
Interest cost on pension liabilities	(1,267)	(1,096)
Pension finance (cost)/income	<u>(414)</u>	<u>(183)</u>
Actuarial losses recognised in STRGL	<u>(126)</u>	<u>(4,444)</u>
	2010	2009
	£'000	£'000
Movement in deficit during year		
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>(8,564)</u>	<u>(3,773)</u>
Current service cost	(865)	(560)
Employer contributions	842	1,221
Contributions in respect of unfunded benefits	1	1
Losses on curtailments and settlements	-	(603)
Pension finance (cost)/income	(414)	(183)
Past service cost	1,498	(223)
Actuarial losses	<u>(126)</u>	<u>(4,444)</u>
Deficit in scheme at 31 July	<u>(7,628)</u>	<u>(8,564)</u>

In its June 2010 budget the government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Prices Index (RPI). The College has considered the NILGOSC scheme rules and associated members' literature and has concluded that this change is a change in benefits and so has recognised the resulting credit in the Income and Expenditure account. At the date of these financial statements, the Urgent Issues Task Force (UITF) is in the process of consulting widely on the accounting treatment for this change and is expected to issue an Abstract towards the end of 2010. Should the Abstract call for a different accounting treatment it may be necessary to reflect any change as a prior period adjustment in the financial statement.

**SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010**

Reconciliation of Defined Benefit Obligation

	2010	2009
	£'000	£'000
Liabilities at 1 August	20,662	15,680
Current service cost	865	560
Interest cost	1,267	1,096
Employee contributions	329	263
Actuarial losses/(gains)	1,674	2,498
Past service cost	(1,498)	223
Estimated unfunded benefits paid	(1)	(1)
Estimated benefits paid	(261)	(260)
Losses on curtailments and settlements	-	603
Liabilities at 31 July	23,037	20,662

Reconciliation of Fair Value of Employer Assets

	2010	2009
	£'000	£'000
Assets at 1 August	12,098	11,907
Expected return on employer assets	853	913
Actuarial losses	1,548	(1,946)
Employer contributions	842	1,221
Contributions in respect of unfunded benefits	1	1
Employee contributions	329	263
Estimated unfunded benefits paid	(1)	(1)
Estimated benefits paid	(261)	(260)
Assets at 31 July	15,409	12,098

History of Experience Gains and Losses

	2010	2009
	£'000	£'000
Difference between the expected and actual return on assets:		
Difference between the expected and actual return on employer assets	1,552	(1,941)
Fair value of employer assets	15,409	12,098
Percentage of employer assets	10.1%	(16.0%)

Experience gains on scheme liabilities:

Experience gains on liabilities	-	-
Present value of liabilities	23,037	20,662
Percentage of the total present value of liabilities	n/a	n/a

Total amount recognised in STRGL:

Actuarial losses recognised in STRGL	(126)	(4,444)
Present value of liabilities	23,037	20,662
Percentage of the total present value of liabilities	(0.5%)	(21.5%)

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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22. RECONCILIATION OF OPERATING DEFICIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2010	2009
	£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation	(591)	(6,742)
Depreciation (note 13)	2,208	4,108
Reclassification of tangible fixed assets (note 13)	-	-
Deferred capital grants released to income (note 18)	(253)	(206)
Interest receivable (note 7)	(106)	(298)
Pension cost less contributions payable (note 21)	(1,061)	348
Decrease in debtors	(1,569)	808
(Decrease)/increase in creditors	76	(4,205)
(Decrease)/increase in PPP creditor	25,755	-
(Profit)/Loss on sale of tangible assets	(3)	-
Increase in provisions	-	-
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	24,456	(6,187)

23. RETURN ON INVESTMENT AND SERVICING OF FINANCE

	2010	2009
	£'000	£'000
Other interest received	106	298
	<hr/>	<hr/>
Net cash inflow from returns on investment and servicing of finance	106	298

24. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2010	2009
	£'000	£'000
Purchase of tangible fixed assets	(29,879)	(3,235)
Deferred capital grants received	4,271	2,546
Proceeds on sale of fixed assets	3	-
	<hr/>	<hr/>
Net cash (outflow)/inflow from capital expenditure and financial investment	(25,605)	(689)

25. FINANCING

	2010	2009
	£'000	£'000
Debt repaid during year:		
DEL Loan	(73)	(125)
	<hr/>	<hr/>
Net cash outflow from financing	(73)	(125)

**SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010**

26. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Aug 2009 £'000	Cash flows £'000	At 31 July 2010 £'000
Cash in hand and at bank	5,065	(1,117)	3,948
	5,065	(1,117)	3,948
Financing	(73)	73	0
Total	4,992	(1,044)	3,948

**27. CASH FLOW RELATING TO AN EXCEPTIONAL ITEM -
REDUNDANCY**

	2010 £'000	2009 £'000
Accrual as at 1 August	353	4,191
Income and expenditure account charge*	10	50
Operating cash outflow	(363)	(3,888)
Accrual as at 31 July	0	353

*Note that the charge in 2009/10 relates to an under accrual from the previous year.

28. POST BALANCE SHEET EVENTS

On 13 October 2010, the Office of National Statistics announced the reclassification of further education colleges to the central government sector. Prior to this announcement colleges had been classified within the private sector as non-profit institutions serving households. This announcement does not, however, affect the legal status of the colleges. The potential future financial implications of this announcement are not yet known.

29. CAPITAL COMMITMENTS

	2010 £'000	2009 £'000
Contracts placed for future capital expenditure not provided in the financial statements	19,825	48,916

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.

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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30. FINANCIAL COMMITMENTS

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

	2010	2009
	£'000	£'000
Land and buildings		
Expiring within one year	78	12
Expiring within two and five years inclusive	10	147
Expiring in over five years	<u>-</u>	<u>-</u>
Total	<u>88</u>	<u>159</u>

SOUTH EASTERN REGIONAL COLLEGE
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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 2010 £'000	Outstanding at 31 July 2010 £'000
Association of Northern Ireland Colleges	Brian Acheson <i>Chairman ANIC</i>	99	-
	Ken Webb Chair of Finance & Audit Committee		
Confederation of British Industry	Ken Webb <i>Northern Ireland Council Member</i>	9	-
Construction Industry Training Board	Michael Malone <i>Standards Committee Member, CITB</i>	44	-
	Thompson Keating <i>Board Member, CITB</i>		
Engineering Training Council	Michael Malone <i>Director</i>	2	-
North Down Business Village	Thompson Keating <i>Director</i>	2	-
Northern Ireland Tourist Board	Thompson Keating <i>Board Member NITB</i>	1	-
Queens University Belfast	Norman Bennett <i>Director of Finance, QUB</i>	16	54
South Eastern Education & Library Board	James Hunt <i>Audit Committee Member, SEELB</i>	16	-
University of Ulster	Heather Farley <i>Head of Department (UU)</i>	40	-

The transactions with ANIC mainly relate to the annual membership fee. Transactions with CITB, QUB and UU all relate to student tuition and examination costs. Transactions with other organisations are related to general operations.

SOUTH EASTERN REGIONAL COLLEGE
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32. LOSSES AND SPECIAL PAYMENTS

	2010 £'000	2009 £'000
Individual Losses exceeding £1,000	-	50
Other Minor Losses (12 cases)	<u>2</u>	<u>29</u>
	2	79

The College incurred losses in respect of debts written off during the year as detailed above.

33. SUPPORT FUNDS

	2010 £'000	2009 £'000
Balance at 1 August	294	179
DEL grants	<u>96</u>	<u>394</u>
	390	573
Disbursed to students	<u>(375)</u>	<u>(279)</u>
Balance unspent at 31 July	15	294

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.

34. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 July 2010.