



**SOUTH EASTERN REGIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2011**

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**SOUTH EASTERN REGIONAL COLLEGE
OPERATING AND FINANCIAL REVIEW 2010/11**

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2011.

Legal status

The current arrangements for further education in Northern Ireland were established by The Further Education (Northern Ireland) Order 1997 with colleges being self-governing incorporated bodies with effect from 1 April 1998.

Colleges have been granted charitable status by the UK HM Revenue and Customs.

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

SERC's mission is to help or play a major/significant part in shaping 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 customers 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 the end users' needs.

Excellence Driven

Our Culture of Excellence underpins everything we do, focusing on the activities which add value for our 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 aim to maintain our outstanding status 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
6. To substantially increase and diversify its income streams

The College’s Core Goals were first communicated to all staff in February 2009 and are continually highlighted 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 CDP process has five separate, but related, elements. These are:

- The Funded Learning Unit (FLU) element, through which colleges’ budgets are now established
- The written element of the CDP process
- Financial information
- The Whole College Quality Improvement Planning and Self Evaluation processes
- Monitoring of colleges’ learner retention, achievement and success

The written element of the current CDP (2011-2014) sets out the College’s strategic objectives which were developed by the Strategy Steering Group on 26 May 2011, following the Governing Body’s planning session earlier in the month. They were developed by merging and developing the new content from the planning session, with the Principal’s four 2011 outcome-based performance objectives, which in turn had derived from the Governing Body’s original “Change Agenda” (2007).

Strategic Objectives

The seven newly framed strategic objectives are set out below. They are numbered, but are not in priority order – all are imperatives. Each is dealt with in more detail within specific sections of the plan.

1. Finances: Secure the College's on-going financial viability.
2. Educational focus: Dedication to constant improvement in the College's curricular offer.
3. Employee alignment: Determine and plan the necessary strategies for the best possible deployment of the College's human resources.
4. Employee engagement: Achieve a consistently positive industrial relations environment.
5. Expanding horizons: Achieve planned and measurable progress in improving educational and operational quality.
6. Raising our sights: Explore possibility of a "SERC Foundation" to raise funding for other strategic objectives.
7. Supporting the Community: Bring forward plans for new delivery models that improve the College's ability to meet current and local needs.

The written element of the CDP process was considered and approved by the Governing Body in its meeting on 29 November 2011.

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 2011/2020 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 (WC SER), 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; and evaluate the Self Evaluation reports. SERC also holds formal "Integrated Monthly Performance Review Meetings" to measure every unit or school's actual performance against budget and other non-financial key performance indicators, review staffing and ensure appropriate risk management is in place 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 2010/2011 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 financial element of the College's "Integrated Monthly Performance Review" meetings at which each Budget Holder presents their department's year to date performance against budget to, and reviews their most recent full year forecast with, the College Senior Management Team and Head of Finance.

Financial Position

Financial Results

The College generated an operating deficit in the year of £984k (2009/10 deficit of £591k). The result in 2010/11 is stated after accounting for exceptional restructuring costs of £1,075k; an FRS 17 Retirement Benefit charge of £220k and depreciation of £462k 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 £44.9m, a £5.1m increase on 2009/10's total of £39.8m. This increase reflects an additional £0.4m in recurring grant funding received from DEL and an additional £1.3m received under the education contracts relating to Schools Partnerships, Training for Success and Steps to Work.

2010/11 expenditure before exceptional items was £44.6m. This represents an increase of £4.2m on the prior year total of £40.4m and is largely a result of the opening of new college premises and the overall increase in the College's service delivery over the previous year.

The College's historic outturn was a surplus of £125k compared with the College's original estimated outturn as per the College Development Plan of a deficit of £486k. A number of factors contributed to this £611k positive variance against budget:

- Since the compilation of the original budget action has been taken to reduce the expected deficit, in particular direct staffing costs have been reduced via the normalisation of class sizes
- There has been a higher level of enrolment than anticipated and a higher level of achievement than expected in the TFS scheme – the associated income is £1,123k greater than originally budgeted
- Steps to Work activity and associated funding has increased substantially throughout the year – actual full year income was £1,365k against an original budget of £1,100k
- The above gains have been offset by a reduction in Tuition fee income against budget and the fact that, at £1,399k, income from the School Links programme is significantly under the budgeted target of £1,760k
- Additional recurrent block grant funding of £198k from DEL was received in February 2011

Taken together with a reduction in the Pension Service Cost from (£408k to £220k) and the incurring of exceptional restructuring costs, the above factors have combined to give a turn-round against budget of approximately £0.6m.

DEL had been informed at the end of Quarter 3 2011 (June 2011) that an historic cost surplus of £22k was anticipated. The actual year end surplus result of £125k does not differ from this forecast significantly.

The 2010/11 period saw the opening of the College's new buildings at its Downpatrick campus under a PPP contract. This effectively brings the College's recent period of investment in upgrading its various campuses to an end.

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. That revaluation was 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 was carried out by the Land and Property Service in August 2010 providing the valuation as at 31 July 2010. For 31 July 2011, the valuation was updated on the basis of indices supplied by the Land and Property Service at the beginning of August 2011.

The FRS 17 Retirement Benefit charge is based upon a full actuarial valuation of the NILGOSC scheme as at 31 March 2010 updated to 31 July 2011 by a qualified independent actuary. The next formal valuation will be as at 31 March 2013.

Income

The College has significant reliance on DEL as its principal funding source, largely from recurrent grants. In 2010/11, DEL provided some 57% of the College's total income through allocated recurrent grant (2009/10:63.1%).

This represented 17.1% of the total recurrent grant available to the sector (2009/10:16.7%).

Reserves

The College's reserves and cash on hand have both increased slightly when compared to the prior year. The College has accumulated income and expenditure reserves of £4,416k (2009/10:£4,073k) (excluding the FRS17 Pension Reserve) and cash balances of £4,461k (2009/10:£3,948k) as at 31 July 2011.

At approximately 10% of income, the College's 2010/11 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.

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.

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 inflow of £512k during the year (2009/10: an outflow of £1,116k).

Liquidity

With a cash balance of £4,461k (2009/10 £3,948k), 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 1.7 (2009/10 1.8). 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.

Current and Future Development and Performance

Student Activities and Achievements

The College increased its student enrolments by 4.5% during the year, giving a total enrolment of 31,205 in 2010/11 compared to 29,872 in 2009/10.

- Full-time enrolments were 6,046 (2009/10 5,688)
- Full-time FE enrolments were 3,357 (2009/10 3,520)
- Full-time HE enrolments were 658 (2009/10 647)
- Full-time Training For Success and Steps to Work enrolments were 2,034 (2009/10 1,521)
- Part-time enrolments were 25,159 (2009/10 24,184)

In terms of FLUs, the College delivered an actual total of 7415 against its targeted FLUs of 7,469. These were made up of:

- FE 5,646 (against a target of 5,621 and a 2009/10 actual total of 5,432)
- HE 1,174 (against a target of 1,130 and a 2009/10 actual total of 1,148)
- ESS 595 (against a target of 718 and a 2009/10 actual total of 450)

The College had an excellent student retention rate (a measure of the proportion of learners who complete their learning programme) of 89% in 2010/11. Overall achievement and success rates (the measures of the proportion of learners who successfully achieve their qualification and the proportion who successfully complete their learning programme and achieve their qualification), were also very good at 83% and 74% respectively. The College's further education performance data shows consistent year on year improvements, for example the overall achievement rate (excluding essential skills) have increased from 75% in 2007/08 to 79% in 2008/09, 80% in 2009/10 and 84% in 2010/11.

Individual success rates for the College's various programmes are summarised below:

- | | |
|---------------------|-----|
| • Higher Education | 95% |
| • Further Education | 79% |
| • Essential Skills | 64% |

This compares favourably with the most recent (2009/10) benchmarking data available for the Northern Ireland sector as a whole which shows sector average retention at 87%, achievement at 68% and success at 59%.

In a wider context, it also compares well with the most recent (2009/10) benchmarking data available for the Scottish FE sector which shows Higher Education retention and success of 78% and 64%; and full time Further Education retention and success of 72% and 60%.

Recent successes for the College and its students include:

- Downpatrick Wood Machining apprentice Luke Hawthorne was crowned Northern Ireland's Apprentice of the Year 2011. The Apprentice of the Year competition is open to those currently on the Department for Employment and Learning's Apprenticeships programmes and showcases excellence in apprenticeship training.
- Downpatrick student Marieanne O'Shea was crowned Essential Skills Learner of the Year at this year's Essential Skills Awards. In addition, Marieanne received the Co. Down Essential Skills Learner of the Year 2011 award and also received a highly commended certificate in the Essential Skills ICT awards.
- Dromore cyclist Sean Downey, who is studying a National Diploma in Sport, won a bronze medal in the team pursuit at the 2010 Commonwealth Games.
- Bangor student and Student Governor Adrienne Peltz was elected as NUS-USI President for Northern Ireland. Adrienne competed against students from Queens University and the University of Ulster to be named NUS-USI President for Northern Ireland. Adrienne will now represent over 200,000 students in Northern Ireland.

- SERC refrigeration and air conditioning apprentice Stuart Millar has been selected as a member of team UK for WorldSkills London 2011.
- Bangor student Alex Prichard won the Northern Ireland WorldSkills UK Mechanical Engineering CAD final. Alex took part in the six hour competition against engineering students from across the province, where he had to produce drawings of a steam engine including exploded views and animations in 3D CAD.
- South Eastern Regional College student Charlotte Pullan who studies at the Lisburn Campus had reason to celebrate after securing silver medal at the Reflexology WorldSkills UK finals which took place in Derby.
- Bangor student Gareth Magowan, who hails from Donaghadee, was awarded the Killen Prize from the Northern Ireland Chartered Institute of Personnel and Development (CIPD) at their 'High Achievers Awards'. The Killen award is presented annually to the best CIPD Certificate student in Northern Ireland.
- Three Business students from the Bangor campus received the prestigious 'Future Students of Business' award from the Federation of Small Businesses (FSB) and Colleges NI.
- SERC was awarded the title of International Association of Bookkeepers (IAB) Study Centre of the Year, making it one of the best centres in the UK to study IAB qualifications.
- SERC was presented with the Outstanding Impact Award 2010 by enterprise watchdog Enterprise UK for promoting entrepreneurship to students during Global Enterprise Week.
- SERC secured the Education and Training Award at the National Training Awards, as a result of a partnership with Refrigeration Skillnet Ireland. The award was for the Blended Learning Programme, which helps workers in the refrigeration sector in the Republic of Ireland meet the requirements of environmental laws.
- SERC won a Silver Award in Occupational Health and Safety at the prestigious Royal Society for the Prevention of Accidents Awards (RoSPA). For the second year running SERC was the only winner in the education sector from Northern Ireland.
- SERC's Marketing department has been recognised and rewarded for the professional way that it is efficiently and effectively targeting customers by scooping the prestigious Belfast Telegraph Business Award for Excellence in Marketing.
- SERC's Business Innovation and Development Unit were 'Highly Commended' for Supporting Economic Growth within Northern Ireland at the 2010 'Business in the Community Awards Ceremony.' SERC was commended for supporting the existing workforce, supporting existing business and supporting entrepreneurship amongst SERC students.
- Terry Francis (Head of SERC's Business Innovation and Development Unit) and Rhoda Robb (Horticulture Lecturer) were both awarded MBE's in recognition of their services to Further Education in Northern Ireland.

The Education and Training Inspectorate (ETI) reported on the College's quality following a range of inspections, for example:

- The College's Further Education provision received an overall grade 3 ("Good") following a whole college inspection in March 2011. The main strengths highlighted included: the very good to outstanding quality of most of the accommodation and specialist facilities; the good leadership and management; the good or better quality of the teaching and learning across most of the lessons; the very good pastoral care arrangements; the outstanding range of links established with employers and external agencies to support workforce development and innovation; and the very good links with post-primary schools to improve the breadth and balance of the curriculum available for 14 to 19 year old pupils.
- The College's Training for Success and Apprenticeship NI provision received an overall grade 3 ("Good") following an inspection in February 2011. The main strengths highlighted included: the very good leadership; the breadth of the provision; very good links with industry in a range of professional and technical areas; good or better quality of the teaching, training, and learning across almost all of the training programmes; and excellent accommodation and specialist resources.
- The College's Steps to Work employment programme received an overall grade 2 ("Very Good") following an inspection in November 2010 and March 2011. The main strengths highlighted included: strong and highly responsive leadership and management; high level of commitment to continuous improvement; good or better quality of the training and learning in all of the directed training sessions observed; and the positive experiences of almost all of the participants.

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, its performance standards and the student experience and to this end seeks to respond to the needs of all stakeholders.

International links

The College aims to develop a portfolio of well managed overseas international partnerships that benefit not only the students and staff, but also the Northern Ireland economy. The College is connecting with the world outside by recruiting international students and developing international partnerships and alliances. Through the internationalisation processes it will enrich the curriculum, enrich the student experience, build an international reputation, generate income from outside the public purse and better prepare SERC students for work in a globalised society.

The needs of our students

The needs of students within SERC are constantly changing and becoming more and more diverse with each academic year. Students are affected by changes in the community, economy and by family life. As a College, SERC will seek to ensure that these needs are met on an on-going basis. Issues of deprivation, physical development, individual health improvement, confidence and personal development are being addressed within the College's provision.

The needs of the economy

The NI Economy faces many challenges over the incoming years: a protracted reduction in domestic demand, tight credit conditions for business and householders and a sharp reduction in public capital investment and public procurement. The biggest challenge however, will be creating jobs for the unemployed and for the thousands of school, college and university leavers over the next few years. We need to grow the private sector and ensure it can compete successfully in a globalised economy.

There have been various Government initiatives, and strategies that have been created over the last few years which potentially give direction on how to grow the economy. The Core Goals of the College align closely with DEL's priorities, the government's Economic Strategy and the Programme for Government. The College will continue to develop and enhance the curriculum to support small business, raise Essential Skills levels, support and nurture innovation and increase the number of students acquiring qualifications at levels 2, 3 and beyond in order to complement government policy.

The College is currently undertaking a review of its curriculum provision to ensure it is aligned to the current needs of the economy. The College is doing this through its involvement in the Workforce Development Forums, working with Sector Skill Councils and listening to businesses through the Confederation of British Industry (CBI) and Institute of Directors (IOD). A recent example of this has been the creation of the Environmental Skills Centre in Newtownards. The centre was created after the Alliance of Sector Skills Council produced a report highlighting that 17 of the 25 sector skills councils had skills deficits in the low carbon economy, and this was at a time when DETI produced more stringent targets on reducing reliance on carbon within NI. The centre aims to support businesses and the curriculum in developing skills in moving to the low carbon economy.

The College is supporting innovation and research and development through Innovation Vouchers, Knowledge Transfer Partnerships, being part of Industry Led innovation Communities, and by providing technical support, such as rapid prototyping. The College is embedding enterprise and entrepreneurship through its enterprise champions, student business start-ups, and the College cooperative ventures such as "Impressions of Ireland". The College is actively up-skilling and reskilling the existing workforce to meet the needs of the economy and has substantially increased its Steps to Work provision in order to assist people into work.

Education: 14 – 19 year olds

Currently, the dominant feature occupying the educational landscape for 14-19 year olds is the Entitlement Framework (EF) which has to be in place by 1st September 2013. Running in parallel to the EF are a number of other initiatives which will impact on the future shape of the schools' sector, namely: Area Based Planning (ABP); Sustainable Schools Policy; Every School a Good School (ESAGS); and Together towards Improvement (TTI).

SERC has been very successful in developing the trust and confidence of the schools sector and broadening the curriculum offer at Key Stage 4 and post 16. There is a need to capitalise on this and increase the College's provision further.

With increased access to its student "supply chain", the College can develop processes by which it can help influence students to choose areas that will lead to future employment and establish a stronger linkage to STEM and priority skills sectors.

Education: Higher Education

DEL highlighted the vision for Higher Education (HE) recently in the HE Strategy for NI. It foresees HE as a sector which is vibrant, of international calibre, which pursues excellence in teaching and research and which plays a pivotal role in the development of a modern, sustainable knowledge-based economy which supports a confident and inclusive society which recognises and values diversity. The HE Strategy highlights that there is a requirement for flexible pathways to qualifications with funding arrangements incentivising this change. A greater emphasis on part-time participation in higher education and training is required involving closer collaboration with industry and continuing Government commitment to research and development activities. The role of Further Education (FE) in the provision and delivery of higher education should be further developed and fostered in partnership with the Universities.

Education: Training Organisation

The Training Organisation (TO) is responsible for the delivery of various training contracts with the Department for Employment and Learning. The College contracts for Training for Success (TfS) and ApprenticeshipNI (AppNI) programmes are run in the College's four main sites: Bangor, Newtownards, Lisburn and Downpatrick. A Steps to Work (StW) contract is held for the Ards and North Down areas.

A key challenge will be to provide a quality programme with suitable placements when the opportunities outside of the College are challenging. Improvements to retention and the success rates of participants are also key. Work started on this in May 2011 through the introduction of "case conferences" designed to review individual trainee performance. Results have been very positive and this approach will be developed in the future.

Under StW an additional major challenge is coping with the increasing number of learners who become eligible for the programme as they become unemployed. To date the College has increased staffing in response to accommodating this.

Supporting the Community

The emphasis in community engagement is on delivering a high quality learning experience whilst seeking value for money. Since 2010 the College has adjusted the emphasis in community engagement away from widening access in community settings to increasing participation of individuals and groups who, for a variety of reasons, would not otherwise attend SERC. The College preference is to encourage learners to enrol in courses within the main campuses and centres. It's Community Development Officers focus on helping to maximise use of the main campuses and other centres that SERC owns or leases in terms of: hobby and leisure enrolments; enrolments of those aged 60 and above; enrolments of the unemployed and economically inactive and so on.

All of the developments outlined above link directly to the first of the College's core strategic goals. SERC'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, it 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 Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%.

During the accounting period 1 August 2010 to 31 July 2011, the College paid 73% of its invoices within 30 days (2009/10: 58%). The College incurred no interest charges in respect of late payment for this period. The average number of payment days during 2010/11 was 25 (2009/10: 32).

Post Balance Sheet Events

The term of the first Governing Body of SERC ended on 31 July 2011. Governors who had served a full term of four years were asked by the Department to indicate if they wished to be re-appointed to serve a second term. Three Governors offered themselves for re-appointment: David Lamb, Sam Gallaher and the Chair, Brian Acheson. Mr Lamb and Mr Gallaher were re-appointed, Mr Acheson was not. The Department advertised the position of Chair with a closing date of 26 September 2011. Interviews were held in October and an appointment is due to be confirmed in December. Mr David Lamb is the acting Chair until the appointment of a permanent Chair.

Four Governors did not wish to serve a second term and stood down. They are Prof Deirdre Vincent, Chair of the Education Committee, Mr Alastair McDowell, Chair of the Audit Committee, Mr Norman Bennett, Chair of the Finance and General Purposes Committee and Mr Jack Ferris, Chair of the Staffing Committee.

Five new Governors have been appointed: Mr Neil Bodger, Dr Robson Davison, Mr Mark Graham, Mr Steve Pollard and Ms Heather Reid. These Governors' term of office started on 1 August 2011.

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 been allocated a FLU target for 2011/12 of 7,313 and will be provided with a budget allocation of 7,107 FLU's (or £24.2m) with which to deliver this. The target is made up of 5,621 FE FLUs, 587 Essential Skills FLUs and 1,105 HE FLUs. This represents a 2% decrease on the 7,469 total FLU target for 2010/11 and a total decrease of £1.1m or 4.4% in budget allocation against the 2010/11 FLU funding of £25.3m.

The College is committed to its goal of achieving a balanced budget and financial viability over the medium to longer term. Since 2009/10 the College has been implementing 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 2010/11 result. This high-profile emphasis on value-for-money and efficiency throughout the College is a fundamental aspect of the College's approach both to developing the 2011/12 budget in the face of funding reductions and to its financial planning for the foreseeable future.

Resources

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

The College concluded its campus development plan during the 2010/11 year with the coming on-line of the new Ballynahinch and Downpatrick campuses in early February 2011 and the Lisburn car-park in May 2011. The investment in campus buildings over the last few years has resulted in a new Environmental Skills Centre being constructed in Newtownards while existing buildings in Ballynahinch, Downpatrick, Lisburn and Newcastle were replaced with new-builds under PPP projects.

The College's estate consists of land with a net book value of £14,059K as at 31 July 2011 (31 July 2010 £16,685k), freehold buildings with a net book value of £83,880k as at 31 July 2011 (31 July 2010 £60,192k) and buildings under construction of £1,588k as at 31 July 2011 (31 July 2010 £1,573k). The estate includes campuses at:

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

Financial

Net assets at 31 July 2011 were £41,512k (2009/10 £36,081k). This includes a £766k pension liability (2009/10 £7,628k).

People

The College employs 802 people (expressed as full time equivalents), of whom 470 are teaching staff.

Reputation

SERC continues to build its reputation as a college demonstrated through customer feedback, increasing enrolments, award and competition successes and results which outperform the NI and parts of the UK further education sectors in terms of retention, success and achievement. A reputation quotient was identified amongst part time students in 2011 – 78% were positive about SERC, 13% neutral and 9% negative. Satisfaction levels amongst full time customers are also high at 89%.

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 Integrated Monthly Performance Review meetings at which budget holders report to the Senior Management Team outlining their department's financial performance against plan and reviewing other key operational 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 30 August 2011 the Risk Register contained 8 Active Risks. 7 Category A, 1 Category B and 0 Category C. There have been 69 risks identified since Sept 07, with 61 risks having been removed.

Outlined below are examples 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 2011/12 "baseline" budget was approved by SERC's Governing Body on 21 June 2011 and submitted to DEL on 28 June 2011. It shows a small operational surplus of £14k, i.e. an approximately break-even result.

It is important to note that in arriving at this break-even budget, the College has assumed its Training for Success programmes will continue as expected. This is a fundamental point since the uncertainty surrounding the Training Organisation contracts and the awarding of the tenders continues.

High level financial forecasts for 2012/13 and 2013/14 were also submitted to DEL on 28 June 2011. Management are confident that, all other things being equal, both years will see break-even results.

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 successfully for the Training for Success (TfS) contracts.

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.

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.

Disability statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995, the Special Education Needs and Disability Order (NI) 2005 and the Disability Discrimination (NI) Order 2006, for example:

1. A full audit of the College buildings was carried out by Central Procurement Directorate, Building Survey Branch, on behalf of DEL in 2003 and 2004. A number of recommendations were made to ensure the buildings conformed to the Disability Discrimination Legislation. Funding was provided for these works by DEL and the works themselves were executed between 2004 and 2005 in two phases. All subsequent schemes (including the College's PPP building projects) comply with Disability Discrimination and all other relevant legislation.
2. The College's Learning Support unit, through the Additional Support Funds formula, supplies its students with a range of support services including:
 - a. Specialist support staff contracted to directly support the student; these include dyslexia support specialists, Asperger's syndrome mentors, general study support staff and college lecturing staff.
 - b. Technical equipment such as laptops, audio note takers, assistive software and other devices
 - c. Specialist furniture such as orthopaedic chairs, high adjustable desk etc.

Each year the Learning Support unit organise and provide training to unit, academic and corporate staff in a variety of areas including autistic spectrum disorders, dyslexia, epilepsy and visual/hearing impairments.

3. Counselling and Welfare Services within SERC come under the auspice of the Pastoral Care unit of SERC. Pastoral care is concerned with promoting personal and social development and fostering positive attitudes within the college:
 - a. Through the quality of teaching and learning
 - b. Through arrangements for monitoring students' overall progress, academic, personal and social
 - c. Through the nature of relationships amongst students, lecturers and adults other than lecturers
 - d. Through specific pastoral structures and support systems
 - e. Through extra-curricular activities and the College ethos

Pastoral Care within SERC incorporates Careers, Students' Union, Induction, Tutorial Time, Equality and Diversity and Counselling/Child Protection.

Carecall Counselling are the main provider of Counselling Provision for SERC's Learners. This provision is offered to all learners regardless of their mode of attendance, campus, age etc. During the 2010/11 Academic year, approximately 406 Counselling Sessions were carried out by the Counselling Provider excluding Critical Incident Cover. This volume has stayed relatively constant year on year with the main issues including family/home, suicidal, self-harm, bereavement and partner problems. Without this provision, many of these students' issues would have had a direct impact on their college and personal lives, with many leaving the College and therefore failing to meet their full educational potential.

The College has 14 Designated Safeguarding Officers looking after the needs of its learners, whether they be designated as Children or Vulnerable Adults. In 2011/12 there are plans to increase the amount of Safeguarding Vulnerable Groups Officers including Directors and a member of the Governing Body. Information has been cascaded to all staff and students and when the new officers are in place, this additional information will be displayed in a manner than means all stakeholders will be made aware of the new people involved in protecting any vulnerable group within the college.

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 HM Revenue and Customs 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

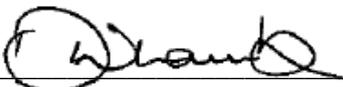
Solicitors: Carson McDowell
Murray House
Murray Street
Belfast
BT1 6DN

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 (Until October 2010), Interim Director of Finance, Business Services Organisation (November 2010 – February 2011)
Ms Heather Farley	Head of Department (Management), University of Ulster
Mr John Ferris	Chair of Directors, St Patrick Centre Downpatrick; Lay Magistrate, Principal Examiner, CCEA, Assessor, Regional Training Unit and Justice of the Peace
Mr Samuel Gallaher	Executive Director, Skills for Health.
Mr James Hunt	Director of Progressive Building Society, Golf Holdings Ltd and Hampton Properties Ltd, SEELB Audit Committee Member, Director of Opera Company of Northern Ireland Ltd, Chartered Accountants Regulatory Board Member
Mr Edward Jackson	Financial Director and Company Secretary, Ballykeel Developments Ltd and Grainger Building Services Ltd, Chairman, Torbank PSA
Mr David Lamb	Assistant Director of Finance, Northern Ireland Housing Executive
Mrs Linda Martin	Staff Representative
Mr Alastair McDowell OBE	NI Library Authority Member
Mr Laurence O'Neill (resigned October 2010)	Director of Finance, Regional Business Services Organisation (Until 31 October 2010), Director of Finance, Northern Health & Social Care Trust (From November 2010)
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
Miss Adrienne Peltz	Student Representative, National Executive Council Member, NUS, Further Education Union Development Officer, NUS-USI

For and on behalf of the members of the Governing Body



Acting Chairman

29.11.11

Date

SOUTH EASTERN REGIONAL COLLEGE REMUNERATION REPORT

Remuneration Policy

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 of 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 within 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.

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.

Salary and pension entitlements

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

Remuneration (Audited)

Senior Management	2010-11		2009-10	
	Salary £'000	Benefits in kind £	Salary £'000	Benefits in kind £
Mr K Webb Director	105-110	0	105-110	0
Mr T Keating Deputy Director	80-85	0	75-80	0
Dr M Malone Deputy Director	80-85	0	75-80	0
Mr D Smith Deputy Director	80-85	0	75-80	0

Salary

'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 HM Revenue and Customs as a taxable emolument. No senior officials received any benefits in kind.

Pension Entitlements (Audited)

Officials	Accrued pension at age 60 as at 31/7/11 and related lump sum £'000	Real increase in pension and related lump sum at age 60 £'000	CETV at 31/7/11 £'000	CETV at 31/7/10 £'000	Real increase in CETV £'000
Mr K Webb Director	25-30 Plus lump sum of 0*	2-2.5 0*	430	376	54
Mr T Keating Deputy Director	25-30 Plus lump sum of 75-80	1.5-2 Plus lump sum of 5.5-6	428	381	47
Dr M Malone Deputy Director	25-30 Plus lump sum of 85-90	3-3.5 Plus lump sum of 9-9.5	552	467	85
Mr D Smith Deputy Director	25-30 Plus lump sum of 75-80	2.5-3 Plus lump sum of 8-8.5	409	347	62

* 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.

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. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The actuarial factors used in the CETV calculations were changed as of 6 July 2010, due to changes in demographic assumptions and the move from Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure used to uprate pensions.

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

There were no compensation payments for loss of office in 2010-11.

**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 on-going 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 2010/11 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.

Full minutes of governing body meetings are available from the secretary of the governing body. The secretary to the governing body maintains a register of financial and personal interests of the governing body members and this is also available for inspection. Formal agendas, papers and reports are supplied to the governing body members in a timely manner.

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 2010/11 year to discuss reports from the External and Internal Auditors and the relevant responses. It also receives and considers reports from the Department for Employment and Learning. It reviews the College's annual financial statements to ensure compliance with legislation and accounting standards. Whilst Executive Officers and other officials attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee can meet with auditors on their own for independent discussions.

Finance and General Purposes Committee

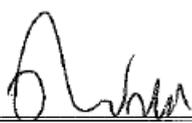
The Finance and General Purposes Committee inter alia supervises all matters relating to the finance and accounts of the College, the investment of its funds, the receipt of its income and the expenditure thereof, the management of trust funds and the approval of policies. The Committee also advises the Governing Body on the raising and guaranteeing of loans. It is the duty of the Finance Committee to present a report to each meeting of the Governing Body. The Committee met 5 times during the 2010/11 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 8 times during the 2010/11 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 4 times during the 2010/11 year.



Accounting Officer

29/11/11

Date

**SOUTH EASTERN REGIONAL COLLEGE
STATEMENT OF THE RESPONSIBILITIES OF THE GOVERNING BODY
FOR THE YEAR ENDED 31 JULY 2011**

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 also required to prepare an Annual Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The 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.

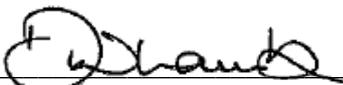
The maintenance and integrity of the College website is the responsibility of the Governing Body of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial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

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.

Approved by order of the Governing Body members on 29 November 2011 and signed on its behalf by:



**Mr David Lamb
Acting Chairman**

**SOUTH EASTERN REGIONAL COLLEGE
ACCOUNTING OFFICER'S REPORT TO THE GOVERNING BODY
FOR THE YEAR ENDED 31 JULY 2011**

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 being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Eastern Regional College for the year ended 31 July 2011 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 2011 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 Integrated Monthly Performance Review meetings at which budget holders report to the Senior Management Team outlining their department's financial performance against plan and target and reviewing other quantitative and qualitative key performance indicators. A key element of these monthly performance 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.

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
Budgetary Control and Financial Reporting (including Procurement)	Financial Reporting and Budgetary Control	Substantial
Payroll Operations across the College	Procurement	Satisfactory
Arrangements for the Management of Reputational Risk across the College		Satisfactory
Corporate and Financial Planning		Substantial

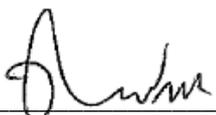
Significant internal control problems

Prior Year Issues

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

Current Year Issues

All reports relating to the College’s operational systems resulted in an assurance rating of either satisfactory or substantial. There are no Priority 1 issues highlighted in Internal Audit reviews.


 Accounting Officer

23/4/11
 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 2011 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 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. I conducted my audit in accordance with 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 read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am require 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 2011, 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 made thereunder.

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 Finance and Operating Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

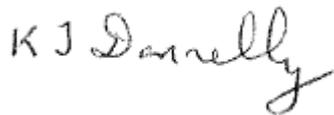
Matters on which I report by exception

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 and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- 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 2011

SOUTH EASTERN REGIONAL COLLEGE
INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 July 2011

		2011	2010
	<u>Notes</u>	£'000	£'000
INCOME			
Department for Employment and Learning Grants	2	31,455	27,944
Education contracts	3	9,525	8,198
Tuition fees and charges	4	2,137	2,053
Other grant income	5	740	783
Other operating income	6	930	727
Investment income	7	<u>111</u>	<u>106</u>
Total income		44,898	39,811
EXPENDITURE			
Staff costs	8	26,006	25,107
Other operating expenses	10	16,362	13,042
Depreciation	13	<u>2,182</u>	<u>2,208</u>
Total expenditure before exceptional items		44,550	40,357
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and before tax and before exceptional items		348	(546)
EXCEPTIONAL ITEMS			
Exceptional costs (staff)	8	1,046	10
Exceptional costs (non-staff)	10	<u>29</u>	<u>35</u>
Deficit on continuing operations after depreciation of assets at valuation and before tax		(727)	(591)
(Loss) on disposal of assets		(257)	-
Deficit on continuing operations after depreciation of assets at valuation and disposal of assets but before tax		(984)	-
Taxation	11	-	-
Deficit on continuing operations after depreciation of assets at valuation and tax	12	<u>(984)</u>	<u>(591)</u>

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 2011

		2011	2010
	<u>Notes</u>	£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation and tax		(984)	(591)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	18	<u>1,109</u>	<u>1,546</u>
Historical cost surplus for the year		<u>125</u>	<u>955</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 2011

		2011	2010
	<u>Notes</u>	£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation and tax		(984)	(591)
Unrealised deficit on revaluation of fixed assets	18	(1,090)	(14,884)
Actuarial gains/(losses) in respect of pension scheme	20	7,080	(126)
Total recognised gains/(losses) for the year		<u>5,006</u>	<u>(15,601)</u>

		2011	2010
		£'000	£'000
Reconciliation of movement in reserves			
Opening reserves		25,460	41,061
Total recognised gains /(losses) for the year		<u>5,006</u>	<u>(15,601)</u>
Closing Reserves		<u>30,466</u>	<u>25,460</u>

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

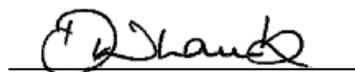
SOUTH EASTERN REGIONAL COLLEGE
BALANCE SHEET
as at 31 July 2011

		2011	2010
	<u>Notes</u>	£'000	£'000
Fixed assets			
Tangible assets	13	<u>99,889</u>	<u>78,816</u>
Total fixed assets		<u>99,889</u>	<u>78,816</u>
Current assets			
Debtors	14	3,185	2,927
Cash at bank and in hand		<u>4,461</u>	<u>3,948</u>
Total current assets		7,646	6,875
Less: Creditors - amounts falling due within one year	15	(3,466)	(3,387)
Less: PPP finance lease creditor - amounts falling due within one year		<u>(981)</u>	<u>(541)</u>
Net current assets		<u>3,199</u>	<u>2,947</u>
Total assets less current liabilities		103,088	81,763
Less: Provision for liabilities and charges	16	(212)	(212)
Less: PPP finance leases – amounts falling due after more than one year		<u>(60,598)</u>	<u>(37,842)</u>
Net assets excluding pension liability		42,278	43,709
NILGOSC Pension fund creditor	20	(766)	(7,628)
Net assets including pension liability		<u>41,512</u>	<u>36,081</u>

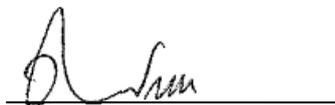
SOUTH EASTERN REGIONAL COLLEGE
BALANCE SHEET (continued)
as at 31 July 2011

		2011	2010
	<u>Notes</u>	£'000	£'000
Deferred capital grants	17	11,046	10,621
Reserves			
Revaluation reserve	18	26,816	29,015
Income and expenditure account excluding pension reserve	19	4,416	4,073
Pension reserve	20	<u>(766)</u>	<u>(7,628)</u>
Income and expenditure account including pension reserve	19	<u>3,650</u>	<u>(3,555)</u>
Total reserves		<u>30,466</u>	<u>25,460</u>
Total funds		<u>41,512</u>	<u>36,081</u>

The financial statements on pages 25 to 54 were approved by the Governing Body of South Eastern Regional College on 29 November 2011 and were signed on its behalf on that date by:



Mr D Lamb
Acting Chairman of Governing Body
South Eastern Regional College



Mr K Webb
Chief Executive, Principal and 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 2011

	<u>Notes</u>	2011 £'000	2010 £'000
Cash inflow from operating activities	21	24,230	24,456
Returns on investments and servicing of finance	22	111	106
Capital expenditure and financial investment	23	(23,829)	(25,605)
Financing	24	<u>-</u>	<u>(73)</u>
Increase/(Decrease) in cash in the year		<u>512</u>	<u>(1,116)</u>
 Reconciliation of net cash flow to movement in net funds/(debt)			
		2011 £'000	2010 £'000
Increase/(Decrease) in cash in the year		<u>512</u>	<u>(1,116)</u>
Movement in net funds in the year		512	(1,116)
Net funds at 1 August		<u>3,949</u>	<u>5,065</u>
Net funds at 31 July		<u>4,461</u>	<u>3,949</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.

1. ACCOUNTING POLICIES

Statement of Accounting Policies

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

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 revalued 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.

Going concern

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

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

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

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

Pension Scheme

The two principal 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.

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2011

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.

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. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Land and buildings acquired since the last valuation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold 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

**SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2011**

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

Assets in the course of construction

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

Public Private Partnerships

The East Down and Lisburn PPP projects became fully operational on 9 May 2011. The College has recognised these PPP properties at market value as determined by an independent professional valuer on the basis of depreciated replacement cost

The assets are depreciated over their useful economic life and the associated liability is reduced as payments for the properties 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 25). The College's financial liabilities comprise creditors, accruals and other creditors (Note 15). The carrying value of these financial assets and liabilities, as disclosed in the notes to the accounts, approximates to fair value because of their short maturities.

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

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2011

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 Hardship Funds and the administration of the Educational Maintenance Allowances (EMA).

Hardship Fund payments received from DEL and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 32.

The College received £35k 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 Hardship Fund applications and payments and the administration of the EMA scheme.

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2011

2. DEPARTMENT FOR EMPLOYMENT AND LEARNING GRANTS

	2011	2010
	£'000	£'000
Recurrent grant	25,567	25,129
Release of deferred capital grants	362	253
Educational Maintenance Allowance Administration	35	39
Major Works	34	9
Minor Works	-	24
Learner Access and Engagement	207	125
Public Private Partnership (PPP)	4,580	1,947
Additional Support Funds (ASF)	233	270
Care to Learn	93	65
Other	344	83
	31,455	27,944

3. EDUCATIONAL CONTRACTS

	2011	2010
	£'000	£'000
VEP School Link Courses	1,399	1,432
Training for Success/Jobskills	6,697	5,971
Steps to Work/New Deal	1,365	675
Training Organisation – Other	64	120
	9,525	8,198

4. TUITION FEES AND CHARGES

	2011	2010
	£'000	£'000
Higher Education (HE) income	988	982
Home and other European Union	1,047	1,030
Non-European Union	102	41
	2,137	2,053

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2011

5. OTHER GRANT INCOME

	2011	2010
	£'000	£'000
European funds	-	-
Other funds	<u>740</u>	<u>783</u>
	740	783

The College is the lead partner in a consortium to deliver the Rapid Response Programme in Northern Ireland. The income shown above includes that earned by the College in its capacity both as provider and as the consortium lead.

All other income claimed from the Department of Employment and Learning and payable to consortium partners has been excluded from these accounts. Total income claimed in the year under this arrangement and the related payments to partners was as follows:

	2011	2010
	£'000	£'000
Rapid Response Income	189	269
Payments to non College partners	-	-
Payments to College partners	<u>(44)</u>	<u>(31)</u>
Net income	145	238

6. OTHER OPERATING INCOME

	2011	2010
	£'000	£'000
Catering and residence operations	153	150
Other income generating activities	146	72
Other income	<u>631</u>	<u>505</u>
	930	727

7. INVESTMENT INCOME

	2011	2010
	£'000	£'000
Other interest receivable	<u>111</u>	<u>106</u>
	111	106

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2011

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:

	2011	2010
	Number	Number
Teaching	470	491
Support	121	94
Administration	193	214
Premises	18	20
Total	802	819

	2011	2010
	£'000	£'000
Staff costs for the above persons		
Teaching	16,719	17,144
Support	2,525	1,992
Administration	6,080	6,481
Premises	462	551
FRS 17 adjustment	220	(1,061)
	26,006	25,107
Exceptional staff costs (redundancy)	1,046	10
Total	27,052	25,117

Wages and salaries	21,580	22,020
Social Security costs	1,597	1,593
Other pension costs (including FRS 17 adjustments of £220,000 (2010: (£1,061,000)))	2,829	1,494
	26,006	25,107
Exceptional staff costs (redundancy)	1,046	10
Total	27,052	25,117

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2011

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	
	2011	2010	2011	2010
	Number	Number	Number	Number
£60,001 to £70,000	-	-	8	3
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	-	3	-	-
£90,001 to £100,000	3	-	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	1	1	-	-
	4	4	8	3

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.

	2011	2010
	Number	Number
The number of senior post-holders including the Chief Executive/Principal was:	4	4

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

	2011	2010
	£'000	£'000
Salaries	352	341
Benefits in kind	-	-
Pension contributions	48	46
Total emoluments	400	387

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2011

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

	2011	2010
	£'000	£'000
Salaries	108	106
Benefits in kind	<u>-</u>	<u>-</u>
	108	106
Pension contributions	<u>15</u>	<u>14</u>
	123	120

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.

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2011

10. OTHER OPERATING EXPENSES

	2011	2010
	£'000	£'000
Direct teaching	734	758
Direct support	4,747	4,239
Administration	1,994	2,267
Consultancy Fees	10	18
Premises	3,178	3,218
Unitary payments – PPP operating cost	2,982	1,306
Unitary payments – PPP finance lease interest	2,717	1,236
	16,362	13,042
Exceptional costs (non staff)	29	35
Total	16,391	13,077

Other operating expenses include:

	2011	2010
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	25	43
Internal audit	23	22
Other services provided by the financial statements auditor	3	-
Other services provided by the internal auditors	1	-
(Profit) on disposal of fixed assets	-	(3)
Hire of other assets – operating leases	57	95

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

	2011	2010
	£'000	£'000
The deficit on continuing operations for the year is made up as follows:		
College's deficit for the year	(984)	(591)

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2011

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 2010	16,685	67,068	1,573	1,763	420	211	159	87,879
Additions	-	24,488	-	35	63	41	8	24,635
Disposals	(140)	(602)	-	(523)	(9)	-	(13)	(1,287)
<i>Revaluation:</i>								
Depreciation Elimination	-	(7,531)	-	-	-	-	-	(7,531)
Surplus/(Deficit)	(2,486)	1,396	-	-	-	-	-	(1,090)
Reclassified assets	-	(15)	15	(29)	-	-	-	(29)
At 31 July 2011	14,059	84,804	1,588	1,246	474	252	154	102,577
Depreciation								
At 1 August 2010	-	6,876	-	1,445	402	187	153	9,063
Charge for the year	-	1,582	-	102	9	20	5	1,718
Accelerated depreciation	-	462	-	-	-	-	-	462
Disposals	-	(465)	-	(523)	(9)	-	(13)	(1,010)
Revaluation	-	(7,531)	-	-	-	-	-	(7,531)
Reclassified Assets	-	-	-	(14)	-	-	-	(14)
At 31 July 2011	-	924	-	1,010	402	207	145	2,688
Net book value at 31 July 2011	14,059	83,880	1,588	236	72	45	9	99,889
Net book value at 31 July 2010	16,685	60,192	1,573	318	18	24	6	78,816

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. That interim revaluation was updated using indices supplied by the Land and Property Service to provide the valuations as at 31 July 2011.

Depreciation Charge for the Year

The depreciation charge for the year includes accelerated depreciation of £462k on 47 Church Street Ballynahinch, which was demolished as part of the PPP building project. These buildings have been depreciated in 2010/11 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 £63,887k (2010: £39,732k) in respect of assets held under finance leases (PPP).

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2011

Income & Expenditure Account – Depreciation

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

	2011	2010
	£'000	£'000
Charge for the year	722	1,040
Accelerated depreciation on buildings	462	748
Assets held under finance leases	998	420
	<hr/>	<hr/>
Charge in the Income & Expenditure Account	2,182	2,208

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2011

14. DEBTORS

	2011	2010
	£'000	£'000
Amounts falling due within one year:		
Amounts due from the Department	1,280	1,029
Trade debtors	1,479	1,435
Prepayments and accrued income	426	463
	3,185	2,927

15. CREDITORS: AMOUNTS FALLING DUE WITHIN 1 YEAR

	2011	2010
	£'000	£'000
Payments received in advance	319	372
Trade creditors	433	995
Taxation and social security	1	628
Trade accruals	1,160	773
Redundancy Accrual	1,024	-
Amounts owed to the Department	529	619
	3,466	3,387

Amounts owed to the Department include the sale proceeds of 38 Castle Street, Lisburn amounting to £243,000. This will be surrendered to the Department to form part of a bullet payment which is payable in line with the agreed costs of the PPP contract.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Litigation	Total
	£'000	£'000
At 1 August 2010	212	212
Expenditure in the period	-	-
At 31 July 2011	212	212

The brought forward provision at 1 August 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 by the College as legal proceedings continue. It is anticipated that the case is likely to be resolved within the next financial year.

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2011

17. DEFERRED CAPITAL GRANTS

	DEL grants £'000	Total £'000
At 1 August 2010		
Land and buildings	10,323	10,323
Other assets	<u>298</u>	<u>298</u>
	10,621	10,621
Cash received		
Land and buildings	763	763
Other assets	<u>24</u>	<u>24</u>
	787	787
Released to Income and Expenditure Account		
Land and buildings	(234)	(234)
Other assets	<u>(128)</u>	<u>(128)</u>
	(362)	(362)
At 31 July 2011		
Land and buildings	10,852	10,852
Other assets	<u>194</u>	<u>194</u>
Total	<u>11,046</u>	<u>11,046</u>

18. REVALUATION RESERVE

	2011 £'000	2010 £'000
At 1 August 2010	29,015	45,445
Revaluations in the period (as per note 13)	(1,090)	(14,884)
Transferred from revaluation reserve to general reserve in respect of:		
Depreciation of Revalued Assets	(832)	(1,546)
Disposals	<u>(277)</u>	<u>-</u>
At 31 July 2011	<u>26,816</u>	<u>29,015</u>

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2011

19. INCOME AND EXPENDITURE ACCOUNT

Income and expenditure account reserve

	2011	2010
	£'000	£'000
As at 1 August 2010	(3,555)	(4,384)
Deficit retained for the year	(984)	(591)
Transfer from revaluation reserve	1,109	1,546
Actuarial gains/(losses) in respect of pension scheme	7,080	(126)
At 31 July 2011	<u>3,650</u>	<u>(3,555)</u>
Balance represented by :		
Pension reserve	(766)	(7,628)
Income and expenditure account reserve excluding pension reserve	4,416	4,073
At 31 July 2011	<u>3,650</u>	<u>(3,555)</u>

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2011

20. PENSION AND SIMILAR OBLIGATIONS

The College's employees belong to two principal 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

	2011	2010
	£'000	£'000
NITSS: contributions paid	1,796	1,783
NILGOSC: charge to the income and expenditure account (staff costs)	813	771
Enhanced pension charge to income and expenditure account	220	(1,061)
	<hr/>	<hr/>
Total pension cost for the year	<u>2,829</u>	<u>1,493</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 2011

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 2010 updated to 31 July 2011 by a qualified independent actuary.

Principal actuarial assumptions

Principal actuarial assumptions at the balance sheet date are as follows:

	2011	2010	2009
	%	%	%
Pension increase rate	2.7	2.9	3.7
Salary increase rate	5.0	4.9	5.2
Expected return on assets	6.4	6.7	6.8
Discount rate	5.3	5.4	6.0

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

	2011	2010
Current Pensioners		
Males	22.9	20.8
Females	25.7	24.1
Future Pensioners		
Males	24.9	22.3
Females	27.7	25.7

The College's share of the assets and liabilities in the scheme and the expected rates of return were:

	Long term rate of return expected at 31 July 2011	Value at 31 July 2011		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
		£'000			£'000			£'000
Equities	7.0%	15,412		7.30%	11,403		7.30%	9,436
Bonds	4.6%	3,124		4.80%	2,311		5.30%	1,452
Property	5.1%	1,458		5.30%	1,079		5.30%	726
Cash	4.0%	833		4.40%	616		4.30%	484
Market value of assets		20,827			15,409			12,098
Present value of liabilities		(21,593)			(23,037)			(20,662)
Deferred tax liability		-			-			-
Deficit in the scheme		(766)			(7,628)			(8,564)

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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Recognition in the Income and Expenditure account

	2011	2010
	£'000	£'000
Current service cost	826	865
Interest cost on pension liabilities	1,264	1,267
Expected return on pension scheme assets	(1,057)	(853)
Past service cost*	-	(1,498)
Losses on curtailments and settlements	-	-
Total	<u>1,033</u>	<u>(219)</u>

Actual return on plan assets	<u>2,174</u>	<u>2,405</u>
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Analysis of pension finance (cost)/income

Expected return on pension scheme assets	1,057	853
Interest cost on pension liabilities	(1,264)	(1,267)

Pension finance (cost)/income	<u>(207)</u>	<u>(414)</u>
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Actuarial Gains/(Losses) recognised in STRGL	<u>7,081</u>	<u>(126)</u>
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	2011	2010
	£'000	£'000

Movement in deficit during year

As at 1 August as stated	(7,628)	(8,564)
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Current service cost	(826)	(865)
Employer contributions	813	842
Contributions in respect of unfunded benefits	1	1
Losses on curtailments and settlements	-	-
Pension finance (cost)/income	(207)	(414)
Past service cost	-	1,498
Actuarial Gain/(Losses)	7,081	(126)

Deficit in scheme at 31 July	<u>(766)</u>	<u>(7,628)</u>
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SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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Reconciliation of Defined Benefit Obligation

	2011	2010
	£'000	£'000
Liabilities at 1 August	23,037	20,662
Current service cost	826	865
Interest cost	1,264	1,267
Employee contributions	303	329
Actuarial losses/(gains)	(3,479)	1,674
Past service cost/(gain)	-	(1,498)
Estimated unfunded benefits paid	(1)	(1)
Estimated benefits paid	(357)	(261)
Losses on curtailments and settlements	-	-
	<u>21,593</u>	<u>23,037</u>
Liabilities at 31 July	21,593	23,037

Reconciliation of Fair Value of Employer Assets

	2011	2010
	£'000	£'000
Assets at 1 August	15,409	12,098
Expected return on employer assets	1,057	853
Actuarial Gains/(Losses)	3,602	1,548
Employer contributions	813	842
Contributions in respect of unfunded benefits	1	1
Employee contributions	303	329
Estimated unfunded benefits paid	(1)	(1)
Estimated benefits paid	(357)	(261)
	<u>20,827</u>	<u>15,409</u>
Assets at 31 July	20,827	15,409

History of Experience Gains and Losses

	2011	2010
	£'000	£'000
Difference between the expected and actual return on assets:		
Difference between the expected and actual return on employer assets	1,117	1,552
Fair value of employer assets	20,827	15,409
Percentage of employer assets	5.4%	10.1%

Experience gains on scheme liabilities:

Experience gains on liabilities	3,525	-
Present value of liabilities	21,593	23,037
Percentage of the total present value of liabilities	16.3%	n/a

Total amount recognised in STRGL:

Actuarial Gains/(Losses) recognised in STRGL	7,081	(126)
Present value of liabilities	21,593	23,037
Percentage of the total present value of liabilities	32.8%	(0.5%)

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2011

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

	2011	2010
	£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation	(984)	(591)
Depreciation (note 13)	2,182	2,208
Reclassification of tangible fixed assets (note 13)	15	-
Deferred capital grants released to income (note 17)	(362)	(253)
Interest receivable (note 7)	(111)	(106)
Pension cost less contributions payable (note 20)	220	(1,061)
(Increase) in debtors	(258)	(1,569)
Increase in creditors	79	76
(Decrease)/increase in PPP creditor	23,191	25,755
(Profit)/Loss on sale of tangible assets	257	(3)
Increase in provisions	-	-
Net cash inflow from operating activities	24,230	24,456

22. RETURN ON INVESTMENT AND SERVICING OF FINANCE

	2011	2010
	£'000	£'000
Other interest received	111	106
Net cash inflow from returns on investment and servicing of finance	111	106

23. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2011	2010
	£'000	£'000
Purchase of tangible fixed assets	(24,635)	(29,879)
Deferred capital grants received	787	4,271
Proceeds on sale of fixed assets	19	3
Net cash (outflow) from capital expenditure and financial investment	(23,829)	(25,605)

24. FINANCING

	2011	2010
	£'000	£'000
Debt repaid during year:		
DEL Loan	-	(73)
Net cash outflow from financing	-	(73)

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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25. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Aug 2010 £'000	Cash flows £'000	At 31 July 2011 £'000
Cash in hand and at bank	3,949	512	4,461
	<u>3,949</u>	<u>512</u>	<u>4,461</u>
Financing	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>3,949</u></u>	<u><u>512</u></u>	<u><u>4,461</u></u>

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

	2011 £'000	2010 £'000
Accrual as at 1 August	-	353
Income and expenditure account charge	1,046	10
Operating cash outflow	<u>(21)</u>	<u>(363)</u>
Accrual as at 31 July	1,025	0

The operating cash outflows do not include an outflow of £1,025k for exceptional redundancy costs as the amount provided was not paid until the following financial year.

27. POST BALANCE SHEET EVENTS

The term of the first Governing Body of SERC ended on 31 July 2011. Governors who had served a full term of four years were asked by the Department to indicate if they wished to be re-appointed to serve a second term. Three Governors offered themselves for re-appointment: David Lamb, Sam Gallaher and the Chair, Brian Acheson. Mr Lamb and Mr Gallaher were re-appointed, Mr Acheson was not. The Department advertised the position of Chair with a closing date of 26 September 2011. Interviews were held in October and an appointment is due to be confirmed in December. Mr David Lamb is the acting Chair until the appointment of a permanent Chair.

Four Governors did not wish to serve a second term and stood down. They are Prof Deirdre Vincent, Chair of the Education Committee, Mr Alastair McDowell, Chair of the Audit Committee, Mr Norman Bennett, Chair of the Finance and General Purposes Committee and Mr Jack Ferris, Chair of the Staffing Committee.

Five new Governors have been appointed: Mr Neil Bodger, Dr Robson Davison, Mr Mark Graham, Mr Steve Pollard and Ms Heather Reid. These Governors' term of office started on 1 August 2011.

28. CAPITAL COMMITMENTS

	2011 £'000	2010 £'000
Contracts placed for future capital expenditure not provided in the financial statements	<u>-</u>	<u>19,825</u>

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

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

	2011	2010
	£'000	£'000
Land and buildings		
Expiring within one year	6	78
Expiring within two and five years inclusive	4	10
Expiring in over five years	-	-
	<hr/> 10	<hr/> 88
Plant and Equipment		
Expiring within one year	43	-
Expiring within two and five years inclusive	43	-
Expiring in over five year	-	-
	<hr/> 86	<hr/> -
Total	<hr/> 96	<hr/> 88

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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30. 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 2011 £'000	Outstanding at 31 July 2011 £'000
Association of Northern Ireland Colleges	Brian Acheson <i>Chairman ANIC</i>	101	-
	Ken Webb <i>Chair of Finance & Audit Committee ANIC</i>		
Confederation of British Industry	Ken Webb <i>Northern Ireland Council Member</i>	10	-
Construction Industry Training Board	Michael Malone <i>Standards Committee Member, CITB</i>	29	-
	Thompson Keating <i>Board Member, CITB</i>		
Engineering Training Council	Michael Malone <i>Director</i>	19	-
St Patrick's Centre	Jack Ferris <i>Chair of Trustees, St Patrick's Centre</i>	1	-
Queens University Belfast	Norman Bennett <i>Director of Finance (Until October 2010), QUB</i>	56	14
South Eastern Education & Library Board	James Hunt <i>Audit Committee Member, SEELB</i>	1	-
University of Ulster	Heather Farley <i>Head of Department, UU</i>	111	2
Council for the Curriculum, Examinations and Assessment	Jack Ferris <i>Principal Examiner, CCEA</i>	23	-
Grainger Building Services	Mr Edward Jackson <i>Financial Director/Company Secretary, Grainger Building Services</i>	1	-
National Union of Students	Miss Adrienne Peltz <i>National Executive Council Member, NUS</i>	1	-

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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31. LOSSES AND SPECIAL PAYMENTS

	2011	2010
	£'000	£'000
Bad Debt Write Off (6 cases)	6	-
Salary Overpayment Write Off (2 cases)	2	-
Other Minor Losses	-	2
	8	2

32. HARDSHIP FUNDS

	2011	2010
	£'000	£'000
Balance at 1 August	15	294
DEL grants	175	96
	190	390
Disbursed to students	(140)	(375)
Balance unspent at 31 July	50	15

Hardship 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.

33. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 July 2011.