



**SOUTH EASTERN REGIONAL COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2012**

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SOUTH EASTERN REGIONAL COLLEGE OPERATING AND FINANCIAL REVIEW 2011/12

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2012.

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.

Mission

South Eastern Regional College's (SERC) mission is to shape our community by promoting an inspirational, innovative and inclusive learning environment which will empower and enable individuals and businesses to fulfil their ambitions as well as contribute to the future prosperity of Northern Ireland.

College Values

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

- Solution Focused
- Excellence Driven
- Responsive
- Collaborative

Solution Focused

We focus on providing creative and innovative solutions for our 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

The College Development Plan outlines SERC's Strategic and Business plan. The current plan covers the period 2012 – 2015. It was considered by the College's Education Committee on 29th May 2012 and was reviewed and approved by the College's Governing Body on 26th June 2012. It sets out the College's Vision, Mission, Core Goals and high-level targets and supports the Northern Ireland Executive's Programme for Government 2011-15 (PfG). It is in line with the Strategic Objectives for the Northern Ireland Further Education (FE) Sector and the Department for Employment and Learning's (DEL) strategies "FE Means Business" and "Success through Skills - Transforming Futures."

Strategic Objectives

The College's strategic objectives are contained in its three "Core Goals":

1. Curriculum
2. Quality
3. Resources

These three goals have associated targets that underpin all individual School or Unit managers' operational plans.

Some of these targets have been set by DEL while others are College devised and based on the Whole College Self-Evaluation Report and Whole College Quality Improvement Plan. At School and Unit level, managers have specific targets linked to the Core Goals. These are monitored by the Senior Management Team at SERC's Integrated Monthly Performance Management meetings which review: management accounts and other financial information; operational risks; complaints; and progress on School and Unit targets.

The targets complement DEL's Strategic Vision and Aim which is "to promote learning and skills, to prepare people for work and to support the economy".

Core Goal 1: Curriculum

To provide a curriculum that will inspire, transform and enrich lives by overcoming educational disadvantage; support scientific and technological capabilities; professionalise the workforce; nurture innovation and require students to participate in enterprise and entrepreneurship; support and deliver a formalised careers programme; and position the College as a gateway for international partnerships.

Core Goal 1: Curriculum – 2012/13 Targets

- A. To deliver 11,000 qualifications at Level 2 and above; and 4,400 Essential Skills qualifications.
- B. To improve the employability of 3,500 full-time FE and 500 Training for Success (TfS) students by enrolling them on a City and Guilds qualification for Personal Development with modules mapped and contextualised to their area of study by March 2013.
- C. To identify at least twenty areas of specialism that will align with industry requirements in the curriculum using qualitative and quantitative analysis.

Core Goal 1: Curriculum – 2015 Targets

- A. To improve the employability of full-time FE and TfS students by embedding the City and Guilds Personal Development qualification.
- B. To align the curriculum emphasis to areas of specialism in terms of staff, physical resources and outcomes.

Core Goal 2: Quality

To promote a Culture of Excellence through raising standards and continuous improvement, excellence in teaching and the learning environment and thereby enhance our reputation with our students, businesses and communities.

Core Goal 2: Quality – 2012/13 Targets

- A. To introduce measures over the next three years that will reduce the percentage of lessons observed during ETI inspections or internal College Quality Reviews that are satisfactory or below with a target of 5% improvement in 2012-13 on the 2011-12 figure of 17%.
- B. To increase success rates for the College by 1.5% on the 2010-11 figure.
- C. To achieve retention and achievement rates of 65% for 2011/12 starts on Programme Led Apprenticeships.

Core Goal 2: Quality – 2015 Targets

- A. To improve the quality of teaching and learning by eliminating Inadequate or Unsatisfactory rated lessons and reducing those rated Satisfactory to a maximum of 5%.
- B. To improve the academic progress of students over the 3 year period.

Core Goal 3: Resources

To secure the College's on-going financial stability through sound governance and robust, effective and efficient management.

Core Goal 3: Resources – 2012/13 Targets

- A. Deliver a balanced budget in 2013.

Core Goal 3: Resources – 2015 Targets

- A. To increase total non-recurrent funding by £1.5m per annum (a rise of approximately 7% on 2011/12 levels).

Financial Objectives

The College's financial objectives are:

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

Financial Performance Indicators

During 2011/12 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 £689k (2010/11 deficit of £984k). The result in 2011/12 is stated after accounting for exceptional restructuring costs of £78k; an FRS 17 Retirement Benefit credit of £105k and a profit on disposal of fixed assets of £140k. The College disposed of surplus properties at Church Street and Ballydugan Road in Downpatrick during the financial year.

The College's total income for the year was £49.4m, a £4.5m increase on 2010/11's total of £44.9m. The bulk of this increase is attributable to £4m of exceptional funding provided by DEL to meet a one-off VAT obligation associated with the College's PPP contracts. The remaining small increase reflects an additional £1.0m in income resulting from education contracts such as Training for Success and Steps to Work and a reduction of £0.5m in other grant and other operating income.

2011/12 expenditure before exceptional items was £50.1m. This represents an increase of £5.5m on the prior year total of £44.6m. The bulk of this increase is attributable to a one-off VAT obligation of £4m associated with the College's PPP contracts. As noted in the previous paragraph, this obligation was met by additional exceptional funding from DEL. The remaining £1.5m increase reflects the first full year of operation of the College's new PPP estate.

The College's historic outturn was a surplus of £61k compared with the College's original estimated outturn as per the College Development Plan of a surplus of £13k. Although the total variance is not significant, there were a number of individual variances, both positive and negative, contributing to the result. The more significant variances included:

- A one-off VAT obligation in respect of the College's PPP contracts became payable during the year. This obligation was met via exceptional grant funding from DEL. As a result, both income and expenditure increased by £4m each but the net impact was zero and the full year result did not change.
- Higher Education, International Student tuition fees and School Links income were all less than originally budgeted, creating a negative variance of c. £0.9m.
- Income relating to the education contracts for the Training for Success and Steps to Work programmes was substantially higher than the amounts originally anticipated. The total positive variance was approximately £0.5m.
- Additional grant funding, both from DEL and from other sources, was realised. This resulted in £0.7m income that was not reflected in the original budget.
- Both staff costs and other operating expenses were higher than envisaged, in part reflecting the additional delivery requirements associated with realising greater grant income. Both expenditure categories contributed negative variances against budget of c. £0.3m
- The FRS17 retirement benefit charge was reduced, in line with the actuarial assessment, from the originally budgeted £240k to a credit of £105k, a positive variance of some £0.3m against budget.

DEL had been informed at the end of Quarter 3 2012 (June 2012) that an historic cost surplus of £23k was anticipated. The actual year end surplus result of £61k does not differ from this forecast significantly.

The previous period (2010/11) saw the opening of the College's new buildings at its Downpatrick campus under a PPP contract. This effectively brought to an end the College's recent period of investment in upgrading its various campuses. The 2011/12 year was the first full year of operation of the College's new PPP estate.

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 2012 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 2011/12, DEL provided some 49.8% of the College's total income through allocated recurrent grant (2010/11: 57%).

This represented 17.6% of the total recurrent grant available to the sector (2010/11: 17.1%).

Reserves

The College's reserves and cash on hand have both decreased when compared to the prior year. The College has accumulated income and expenditure reserves of £4,370k (2010/11:£4,416k) (excluding the FRS17 Pension Reserve) and cash balances of £3,063k (2010/11:£4,461k) as at 31 July 2012.

At approximately 6.2% of income, the College's 2011/12 cash reserves are in keeping with DEL's Key Performance Indicator target for the sector of between 5% and 10%.

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 outflow of £1,398k during the year (2010/11: an inflow of £512k).

Liquidity

With a cash balance of £3,063k (2010/11 £4,461k), the College's liquidity is satisfactory. 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 (2010/11 2.4). 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 5.5% during the year, giving a total enrolment of 32,927 in 2011/12 compared to 31,205 in 2010/11.

- Full-time enrolments were 6,219 (2010/11 6,046)
- Full-time FE enrolments were 3,061 (2010/11 3,357)
- Full-time HE enrolments were 559 (2010/11 658)
- Full-time Training For Success and Steps to Work enrolments were 2,599 (2010/11 2,034)
- Part-time enrolments were 26,708 (2010/11 25,159)

In terms of FLUs, the College delivered an actual total of 7,296 against its targeted FLUs of 7,381. These were made up of:

- FE 5,585 (against a target of 5,621 and a 2010/11 actual total of 5,646)
- HE 1,169 (against a target of 1,173 and a 2010/11 actual total of 1,174)
- ESS 542 (against a target of 587 and a 2010/11 actual total of 595)

The College had an excellent student retention rate (a measure of the proportion of learners who complete their learning programme) of 94% in 2011/12 (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 85% (83% in 2010/11) and 80% (74% in 2010/11) respectively.

Data available for benchmarking across the Northern Ireland FE Sector shows the relative strength of the College's retention, achievement and success rates in recent years:

Retention rates by level of study

	SERC		NIFESector	
	2010/11	2009/10	2010/11	2009/10
Higher Education	97%	99%	96%	98%
Further Education	91%	93%	91%	90%
Essential Skills	75%	74%	79%	79%

Achievement rates by level of study

	SERC		NIFESector	
	2010/11	2009/10	2010/11	2009/10
Higher Education	97%	67%	88%	47%
Further Education	85%	74%	78%	64%
Essential Skills	85%	82%	76%	68%

Success rates by level of study

	SERC		NIFESector	
	2010/11	2009/10	2010/11	2009/10
Higher Education	94%	66%	85%	46%
Further Education	78%	69%	71%	57%
Essential Skills	64%	61%	60%	54%

In a wider context, both SERC and the NIFE sector as a whole compare well with the most recent (2010/11) benchmarking data available for the Scottish FE sector which shows full time Higher Education success of 67%; and full time Further Education success of 62%.

Recent successes for the College and its students include:

- Martin Conlon, an HND Manufacturing Engineering student, won the 'Best Engineering Project' award at the inaugural Business and Education through Skills and Training (BEST) Awards and followed this up by winning the 'Bombardier Aerospace Award for Working With Industry' at the Sentinus 'Young Innovators' Exhibition.
- HND Performing Arts student Robert Render, was named Best Actor in locally produced feature horror film 'The Last Light' at Florida's Freak Horror Film Festival which showcases some of the most talented, up and coming horror filmmakers in the world.
- Refrigeration Apprentice Stuart Millar won a bronze medal at the global skills competition WorldSkills London 2011. Stuart competed as a member of Team UK and won bronze in refrigeration and air-conditioning at the event, which is the world's largest ever international skills competition.
- Three Applied Science students (April McDowell, Zachariah Cardwell and Adam Torrans) were commended at the BT Young Scientist 2012 competition in Dublin in January 2012.
- Refrigeration and Air Conditioning apprentice Adam Lyness received a Gold Award at the Skill Build NI 2012 competition.
- Refrigeration and Air Conditioning apprentice Gavin Murray and Plastering Apprentice Andrew Gill received Silver Awards at the Skill Build NI 2012 competition.

- Refrigeration and Air Conditioning apprentice Gareth McConnell; Carpentry apprentices Stephen Mooney and Mark Hawthorne; and Plastering apprentice Stephen Peters all received Bronze Awards at the Skill Build NI 2012 competition.
- A team of Hospitality and Catering students won a host of medals and awards (including Gold in the Parade des Chef competition) at the prestigious hospitality trade show, IFEX Chef Skills 2012, which took place at the Kings Hall, Belfast.
- Leanne Millis and Joanne Wilton were awarded gold medals by the London Chamber of Commerce and Industry (LCCI) for achieving the highest examination results in the world on their Level 4 Executive Secretaries Diploma.
- HNC Beauty Sciences student Carolyn Barr was crowned the UK's 'Outstanding BTEC Beauty and Hospitality Student of the Year 2012'.
- Lecturer Irene Megaw won The Pearson Teaching Award for FE Teacher/Lecturer of the Year in Northern Ireland for 2012.
- South Eastern Regional College students bagged a range of awards at the 2012 BEST awards including: manufacturing engineering students Neil Martin, David Agnew and Scott Elliott who won the SEMTA Science and Engineering Award; engineering students Antony Cheung and Cara Neill who collected the Ancher Advertising Visual Design Award; and Applied Biology student Keith Orr who won the Cogent Life Sciences Award.
- South Eastern Regional College was named "Best Skills Resource Centre" at the Green Gown Awards 2011 and "Best Training Provider" at the Action Renewables Association Awards for the refurbished Environmental Skills Centre at its Newtownards Campus.
- David Smith (Director of Learning and Customer Support) and Jean Liddell (Access and Support Officer) were both awarded MBEs in recognition of their services to Further Education in Northern Ireland.

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.

PERSONAL ASPIRATION

The College provides its curriculum in response to the demands of its local stakeholders as well as government strategies. The curriculum offer provides opportunities for student progression either within the College or in conjunction with partner organisations. The College offers a range of qualifications that range from Entry Level to Level 6. Qualifications up to Level 3 are referred to as FE provision and courses at Level 4 and above are referred to as HE provision.

The College monitors a range of change drivers to ensure that the curriculum offer meets the needs of students, employers, local councils, businesses. These include the views of the Department for Employment and Learning, Sector Skills Councils, employer forums, Workforce Development Forums, area learning communities, local council economic development forums and even individual requests from businesses. These drivers continue to influence a dynamic learning environment.

Modification to the curriculum offer is governed by the College Curriculum change management process. This ensures that any changes maintain an adequate balance of curriculum choices by campus, level, and subject area and with adequate progression opportunities according to previous need. This takes place before the College's Strategic and Business Plan process when the curriculum portfolio bid is submitted to the Department for Employment and Learning. Significant changes to provision are referred in the first instance to the Education Committee of the Governing Body.

MODES OF STUDY AND MAIN CURRICULUM AREAS

The curriculum offer extends from Level 0 to Level 6 leading to qualifications from 46 Awarding Bodies. Full-time students follow a Programme of Study that may comprise individual qualifications. In addition to this, the students have a range of other services including tutorials, curriculum enhancement activities and careers advice to help them complete their Programme of Study and to aid individual personal development. The Programme of Study has, along with the vocational qualification, other integrated components including Essential Skills, enterprise and industry-led projects designed to enhance student employability.

The College encourages students to progress through the various levels outlined above in line with their skills and abilities, developing their skills, qualities and competencies which will aid them in their personal and professional development. These also enable the students to achieve and to contribute positively to the economy.

Part-time students normally study an individual qualification. Since part-time students are mainly adults and could be in full-time employment, they do not normally require the range of other services available to full-time students.

HIGHER EDUCATION

Higher Education (HE) within SERC delivers programmes which professionalise the workforce through stand-alone qualifications linked to Awarding Bodies (Universities and professional bodies) that are industry-current and work-ready. The College works with a range of partners which validate the provision of the HE qualifications at SERC. Currently, Edexcel and the University of Ulster (UU) are the partners that validate the largest number of programmes at SERC, namely the wide range of HNDs and HNCs.

Higher Education at SERC aims to provide students with the current knowledge and skills expected by industry while meeting the individual needs of the student. SERC is developing specific characteristics for its HE provision delivered through FE and they include:

- Producing a work-ready workforce skilled in advanced technical, subject-specific skills and knowledge that relate to their chosen area of study e.g. engineering, construction, web-authoring or software engineering;
- Personal Development skills including the capability for independent learning and reflection, problem solving, e-learning and life-long learning;
- Employability skills such as being able to work as part of a team with people from different backgrounds to find solutions to complex problems;
- Widening student participation in HE and supporting students' development within HE; and
- A flexible practical curriculum responsive to economic need that can be delivered with academic rigour.

These characteristics are integrated within the College's full-time HE ethos which includes:

- Bridging courses and support for Essential Skills to enable participation and progression;
- Small group and team learning;
- Retention initiatives which support students to succeed;
- Opportunities to engage in work-placement and industry-led projects;
- Vocational-specific project activities including overseas study and work placements; and
- Opportunity for involvement in Student Companies to develop entrepreneurial skills.

The College's Part time HE programmes allow:

- A focus on teaching and learning so that students develop higher level skills of application, analysis, evaluation and the ability for lifelong learning, including capabilities in the use of Virtual Learning Environments (VLEs) in addition to the specific learning outcomes associated with their chosen vocational programme;
- Suitable progression pathways for students from FE programmes within SERC and other educational institutions;
- Opportunities for progression to Honours Degree programmes at enhanced entry and /or to appropriate employment in the local economy;
- Employees engaged in the local economy the opportunity to develop their higher level technical, supervisory and self - development skills in a fashion that is compatible with their current and future skill needs and their working and family commitments; and
- The development of entrepreneurial and employability skills to address economic and community needs in the local region.

FULL-TIME FURTHER EDUCATION

Further Education (FE) full-time is defined as the curriculum provision that is at Level 0 to Level 3 on the Qualifications & Credit Framework normally requiring 15 hours per week over 30 weeks. The bulk of the FE provision at SERC is at Level 2 and Level 3 (i.e. Diploma and Extended Diploma). The College offers FE or Training post-16 Programme of Study that leads to a range of qualifications for vocational areas from Level 0 to Level 3. The Programme of Study incorporates the relevant vocational qualification and, where appropriate, the associated Essential Skills qualifications.

The design of FE programmes ensures that the student learning experience provides current knowledge and skills expected by industry and meets the individual needs of the student.

SERC is developing specific characteristics for the FE provision which it delivers and they include:

- Producing a work-ready workforce with general subject specific skills and knowledge that relates to their chosen area of study e.g. engineering, construction, business;
- Personal Development skills including the capability for learning and reflection, problem solving, e-learning and life-long learning;
- Employability skills such as being able to work as part of a team with people from different backgrounds to find solutions to problems;
- Widening student participation in FE and supporting those students' development within FE;
- A flexible practical curriculum responsive to economic need that can be delivered with academic rigour.

These characteristics are integrated within a College FE ethos and they include:

- Support for Essential Skills to enable participation and progression;
- Small group and team learning;
- Full Pastoral Care services which contribute to developing the whole person;
- Retention initiatives to support students to succeed;
- Opportunities to engage in work placement;
- Vocational specific project activities including overseas study and work placements;
- Curriculum delivery by staff with current industrial/sectorial knowledge; and
- Opportunity for involvement in Student Companies to develop entrepreneurial skills.

14 TO 19 YEAR OLDS

The College offers school pupils aged between 14 and 19 an opportunity to experience the wide range of career options available to them through the Entitlement Framework. This programme delivers a greater range of learning opportunities for their needs and interests, including vocational courses. Through this close partnership with schools, we are able to offer vocational courses including BTEC Extended Diploma in Sports, Beauty, Health and Social Care, Performing Arts, Business and Travel and Tourism.

Some of the schools that the College works in partnership with include: Bangor Grammar, Down High, Friends School, Wallace HS, CBS Glen Road, Assumption Grammar, St Patrick's Grammar and De La Salle High School, St Colmcilles High School and St Malachy's High School.

The College offers school leavers courses which are designed to start them out in their chosen careers with the right practical skills and knowledge. The full-time offer includes BTEC Diplomas and Extended Diplomas, NVQs, A Levels, Higher Nationals, Foundation Degrees and BA Hons Degrees. These extend over broad curriculum areas including Science, Performing Arts, Business, Beauty, Catering, Construction, Engineering, Hairdressing, Renewable Energy, Music, Media and Health and Social Care.

The College offers more than just courses for full-time students, it also provides Essential Skills in Literacy, Numeracy and ICT, Employability skills and access to SERC EXTRA. A package of services also incorporates financial support, learning support for those with learning difficulties and careers guidance and assistance to improve social skills through the Students' Union. This helps to provide an inclusive environment giving students the chance to meet with a diverse range of people. All students also have an individual timetable.

All students at the College are required to become involved in Enterprise. Every student at the College is assigned an "Enterprise Champion" to offer advice and support on all things entrepreneurial. The Enterprise Academy provides practical, fun, hands-on activity for students who can gain a Bronze, Silver or Gold Enterprise Award to recognise their achievement with activities including ideas, generation workshops, entrepreneurship master classes, skills seminars, networking events, one-to-one mentoring and pre-incubation workspace.

By being part of a SERC Student Company, students have the opportunity to experience all aspects of business including research and development, marketing, negotiation and finance. Existing Student Companies include: Copp Art, who produce decorative sculptures using recycled copper; the Glass Umbrella Theatre Company; and Impressions of Ireland, a unique Celtic-themed giftware company.

The SERC Enterprise Centre can help students develop their new business ideas in an environment which supports pre-start, start-up and existing businesses from exploration of the idea of becoming self-employed to starting a business.

TRAINING ORGANISATION

The College holds a number of Training For Success and ApprenticeshipsNI contracts across North Down, Ards, Lisburn and Down contract areas in 16 Frameworks. Contracts were also awarded across a wider geographical area for a number of vocational subjects where SERC had specialist expertise such as Construction Plant Maintenance, Polymer Processing and Refrigeration Air Conditioning. These contracts allowed SERC to deliver all strands of training within Training For Success, namely Skills for Your Life, Skills for Work and Programme Led Apprenticeships and also Employer Led Apprenticeships.

SERC is one of the largest providers of Training For Success and Training Programmes in Northern Ireland with 1,200 trainees undertaking courses at any one time. SERC works with over 510 employers who support trainees by providing relevant, high quality placements.

In 2011, the Education and Training Inspectorate (ETI) inspected the quality of training provided by SERC and judged it to be "good". The Inspection highlighted important strengths in most of its educational and pastoral provision. In particular:

- very good leadership provided by the Head of Training;
- breadth of the Training for Success and ApprenticeshipsNI 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;
- effectiveness of the information and learning technology (ILT) and pedagogy mentorship programme in supporting and enhancing teaching, training and learning.
- good quality of most of the work placements and the work-based training; and
- excellent accommodation and specialist resources in almost all of the professional and technical areas.

SERC is contracted by DEL as Lead Contractor for the delivery of the Steps to Work employment programme in the North Down region of Northern Ireland. The primary purpose of the Steps to Work programme is to help participants who are unemployed or economically inactive to find and sustain employment. The programme has been devised to ensure a more flexible approach to provision which can be targeted at the individuals' personal barriers to employment. Participation in Steps to Work is a mandatory requirement for all Jobseeker's Allowance (JSA) claimants aged 18 to 24 years who have been claiming JSA for six months or more, and those aged 25 and over who have been claiming JSA for 18 months or more. Steps to Work is also available on a voluntary basis to participants who are unemployed or economically inactive and who want to start or return to work.

SERC leads the Partnership of the North Down area, supported by eight sub-contractors, to provide a good geographical coverage and local access for all participants to all the strands of Steps to Work. The Steps to Work Programme was inspected in 2011 and ETI judged the quality of the Programme to be "very good".

The main strengths were:

- strong and highly responsive leadership and management of the Steps to Work programme, as demonstrated by the Lead Contractor's well-led, cohesive and effective management team;
- excellent working relationships established by the Lead Contractor with almost all of the relevant stakeholders;
- high level of commitment to continuous improvement demonstrated by the Lead Contractor;
- good or better quality of the training and learning in all of the directed training sessions observed;
- positive experiences of almost all of the participants, which contribute effectively to the development of their work-readiness, transferable and personal skills;
- very good provision for the personal support of almost all of the participants across the contract area;

ESSENTIAL SKILLS

The Essential Skills provision covers Literacy, Numeracy and ICT. In Literacy and Numeracy the levels range from Entry Level 1 to Level 2. In ICT they range from Level 1 to Level 2.

All students (with the exception of Access students) who, on entry, do not have a grade C in Maths/English/ICT are expected to attend Essential Skills Numeracy, Literacy, ICT classes. The aim is that all students will have achieved a Level 2 qualification in each of the essential skills areas on completion of their Level 3 vocational programme.

Learners are recruited from across the College's catchment areas. When planning Essential Skills classes, the College considers location, numbers enquiring for courses and assesses the learners' needs to determine the level of course offered.

SERC currently works in partnership with external business organisations to deliver Essential Skills to employers such as Finlay Engineering, NI Civil Service and Paragon Training. SERC also worked with Construction Skills NI to create vocationally relevant Essential Skills resources for students and the existing construction workforce.

During Inspections 2011/12 approximately 83% of Essential skills classes were deemed to have teaching and learning which was good or better. Essential Skills tutors use relevant contexts for both classroom work and for portfolios and there is good use of information and learning technology (ILT) to enhance the learning experience of all students. Each individual student undergoes a robust and rigorous initial assessment and diagnostic assessment at the beginning of their course of study. This ensures that each individual is working towards the appropriate level and that the weaknesses identified in the diagnostic assessment have been addressed.

Nineteen members of the Essential Skills team have undergone ILT mentoring. This award winning programme has contributed to the increased use of ILT in an interesting way by Essential Skills tutors to enhance the learning experience.

BUSINESSES

Our work with businesses is at the heart of the Department for Employment and Learning strategy, FE Means Business, whereby the role of the FE Sector is to support regional economic development. SERC is committed to its role in supporting the economy through a number of activities including:

- Curriculum enhancement designed to improve students' employability, enterprise and entrepreneurship skills.
- Training and other services designed to increase businesses' productivity and profitability.

CURRICULUM ENHANCEMENT

Our students are the future workforce of NI and are pivotal in making our economy a sustainable and successful one. To achieve this, employers demand certain skills and knowledge which we then deliver within our full and part-time programmes. This is delivered via:

- Industry Projects – live projects provided by companies, usually around a problem or new opportunity, for students to provide solutions. This enhances their problem-solving, communication and team-working skills, all of which are fundamental in the workplace. It gives students the chance to work with local companies and gain an insight into business.
- Student Volunteer Programme – in response to student demand, this programme has been devised to provide work experience opportunities with companies such as the Irish Football Association and Unite Against Hate.
- SERC Student Companies – students have the opportunity to start and run their own business. There are already 16 such companies at SERC with two well on their way to becoming fully commercial.
- Enterprise Academy – a range of enterprise and entrepreneurial workshops, competitions and events are held throughout the year. This helps students to understand and develop the skills they need for employment as well as promoting the idea of starting a business. The College supports the Academy and Student Companies with a team of nine Enterprise Champions.
- Work Experience – as part of many programmes there is work experience and placements for up to 10 weeks. This allows students to find out first-hand about the world of work, develop key skills and offer a helping hand to local companies.

Overall courses at SERC are career focused with a practical approach designed to deliver the skills and knowledge that employers need. In addition, the learning experience is enhanced with the activities listed above to ensure that every student has the best chance at succeeding not just in their course, but also in their future careers.

We have built up strong relationships with businesses such as Coca Cola, Radox, Irish Football Association and Bombardier and leverage these for the benefit of our students.

The key objectives in this area include: embedding an enterprise qualification into full-time programmes; introducing industry projects to all full-time programmes; building the number of SERC Student Companies and ensuring that these reach their full potential; and increasing the number of companies and students involved in the Volunteer Programme.

SUPPORT FOR BUSINESSES

The College understands that, in today's difficult economic climate, businesses need to be more efficient and productive. At the same time, SERC recognises that public funding is decreasing and is therefore challenged with providing the same high quality service to more people with less. It is the College's aim to generate additional revenue which can then be re-invested to improve the student learning experience and staff workplace.

The solution is the provision of cost effective, practical training services that help businesses to grow. Our experts deliver the latest, industry led training which has been proven to help companies like Coca Cola, Bombardier, Harry Corry and Phillip McCallen Motorcycles to improve their bottom line.

Training solutions from SERC helps companies to:

- Avoid production downtime;
- Increase outputs and service delivery;
- Increase motivation in staff, making them and their skills a competitive differentiator; and
- Solve problems and develop new ideas without huge investment

Flexible learning options include online learning, blended learning and classes that fit in with shift patterns. SERC will work closely with businesses to understand their needs and, in response, develop innovative solutions.

Key developments for SERC include the launch of the SERC Learning Engine, an online learning system allowing CEOs and managers to rest easier especially in compliance training areas. The system not only delivers training but provides reports to evidence that training has taken place. Clients can have a fully customised system which is integrated with their own HR systems. Ultimately this product will allow companies to save money and time, as well as gaining the assurance that compliance and other training has been completed.

SERC aims to enhance companies with technological capability especially in software development, an area where there are skills gaps in NI. Training and consultancy is offered to ICT and non-ICT companies in areas such as C++, HTML and Cisco.

SERC has a long history in supporting companies in sectors such as Engineering, Refrigeration, Retail and Hospitality and will continue to do so. SERC has established itself as a leading-edge expert on environmental skills, and with a £4m world-class centre based in Newtownards, is already working with companies to help them address the environmental challenges and opportunities from the emerging low-carbon economy.

All revenue generated from these activities is re-invested back into the learning experience and the staff workplace.

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 2011 to 31 July 2012, the College paid 78% of its invoices within 30 days (2010/11: 73%). The College incurred no interest charges in respect of late payment for this period. The average number of payment days during 2011/12 was 18.5 (2010/11: 25).

Post Balance Sheet Events

There were no post balance sheet events.

Future Developments

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 an 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 2012/13 of 7,401 and will be provided with a budget allocation of 7,035 FLU's (or £23.9m) with which to deliver this. The target is made up of 5,621 FE FLUs, 551 Essential Skills FLUs and 1,229 HE FLUs. This represents a 0.3% increase on the 7,381 total FLU target for 2011/12 and a total decrease of £0.5m or 2% in budget allocation against the 2011/12 FLU funding of £24.4m.

The College remains 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 recent results. 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 2012/13 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 PPP campus development plan during the 2010/11 year. The period 2011/12 was the first full period of operation of the College's "new" PPP estate.

The College's estate consists of land with a net book value of £7,188k as at 31 July 2012 (31 July 2011 £14,059k), freehold buildings with a net book value of £99,807k as at 31 July 2012 (31 July 2011 £83,880k) and buildings under construction of £1,588k as at 31 July 2012 (31 July 2011 £1,588k).

The estate includes campuses at:

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

Financial

Net assets at 31 July 2012 were £69,009k (2010/11 £41,512k). This includes a £4,433k pension liability (2010/11 £766k).

People

The College employs 802 people (expressed as full time equivalents), of whom 449 are teaching staff.

In the period August 2011 to July 2012 the sickness absence rate for staff was 3.89%. The most recent benchmarking data available for the NIFE sector covers the period August 2011 to January 2012 and shows average sickness absence rates of 3.8%.

Reputation

SERC continues to build its reputation as a college demonstrated through customer feedback, high levels of enrolments, award and competition successes and results which outperform many comparable UK further education colleges in terms of retention, success and achievement. A reputation quotient was identified amongst part time students in 2012 – 76.5% were positive about SERC, 13.7% neutral and 9.8% negative. Satisfaction levels amongst full time customers are also high at 94%.

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 8th August 2012 the Risk Register contained 11 Active Risks; 11 Categories A, 0 Category B and 0 Category C. There have been 73 risks identified since Sept 07, with 62 risks having been removed.

Outlined below are examples (taken from the Risk Management Report to the Audit Committee dated 4th September 2012) of some of the principal risk factors that may impact the College, including a brief narrative update of the present situation and relevant actions taken. Not all factors are within the College's control, and other factors may also affect the College.

R013 - Failure to Achieve Financial Viability

The full year management accounts for 2011/12 are not yet finalised. Uncertainties remain concerning the accounting treatment of: the PPP bullet payment; the disposal proceeds for surplus land; the FRS 17 charge; and the 5 year revaluation of land and buildings by LPS. On the basis of the information currently available, the College is forecasting a break-even result after exceptional items.

The 2012/13 "baseline" budget was approved by SERC's Governing Body on 26th June 2012 and submitted to DEL on 29th June 2012. It shows a small operational surplus of £14k, i.e. an approximately break-even result.

The College is faced with some significant uncertainties, such as the outcome of the Training for Success / Apprenticeship NI tender process; the future of the Steps to Work contract beyond March 2013; and the implications of the Northern Ireland Further Education Colleges' status as Non Departmental Public Bodies.

In arriving at this break-even budget the College used the best information available at the time. This included an assumption that Training for Success and Steps to Work programmes continue as expected.

High level financial forecasts for 2013/14 and 2014/15 were also submitted to DEL on 29th June 2012. Both suggest break-even results (small surpluses of £11k and £74k respectively).

R029 – Failure to provide safe environment because of increasing numbers of students with behavioural problems and the need to ensure that safeguarding arrangements are clear and properly followed by staff

Safeguarding training was provided to SERC Safeguarding Officers on 22 August 2012 by the SE Trust's Principal Social Worker for Safeguarding and will involve colleagues from the Childcare and Vulnerable Adults team.

DEL have completed a draft Safeguarding Protocol which has been issued to the College for consultation. This provides safeguarding guidance to Colleges for cases where SERC staff teach in a school and for placing students in early years or vulnerable adult settings.

R071 – Failure to have appropriate data protection processes in place

An email was sent to all staff in June 2012 giving instruction and details on storage of personal and confidential information. All staff were made aware of the necessity of the protection of personal data at the Staff Briefings in August 2012. The Head of Data Quality is currently undertaking a review of Data Quality.

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 Learning Support Unit provides an essential component of the College experience for students with physical disabilities, mental disabilities and medical conditions. Funded through the Additional Support Fund formula, students can access:
 - Physical resources such as specialist computers and software, orthopaedic chairs, smart pens, audio note takers etc.
 - Specialist human support through General Studies Support Workers, College Lecturing staff and specialist support for a range of conditions e.g. Dyslexia, Autistic Spectrum Disorders.
 - Administrative adjustments for exams, College access and arrangements in the event of illness or episode such as epilepsy.

The staff in the unit has a wealth of experience in designing and implementing support strategies as well as providing essential information for both staff and students regarding a very wide range of disabilities and conditions.

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:
 - Through the quality of teaching and learning
 - Through arrangements for monitoring students' overall progress, academic, personal and social
 - Through the nature of relationships amongst students, lecturers and adults other than lecturers
 - Through specific pastoral structures and support systems
 - Through the internal and external links the college has in order to ensure the needs of our learners are continually being met;
 - Through extra-curricular activities and the College ethos

Pastoral Care within SERC incorporates Careers, Students' Union, Induction, Tutorial Time, Equality and Diversity and Counselling, and Safeguarding Vulnerable Groups (incorporating Child Protection).

Carecall Counselling are the provider of Counselling for SERC's Learners. This provision is offered to all learners regardless of their mode of attendance, campus, age etc. During the 2011/12 Academic year, approximately 403 Counselling Sessions were carried out by the Carecall, excluding Critical Incident Cover (where Carecall have placed counsellors into SERC to deal with an issue that has had an effect on whole classes, such as deaths, and any other traumatic events that may have occurred). 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 42 Designated Safeguarding Officers looking after the needs of its learners, whether they be designated as Children or Vulnerable Adults. In 2011/12 SERC added over 20 additional Safeguarding Vulnerable Groups Officers including Directors and two members of the Governing Body. All staff within SERC have undertaken Mandatory Staff Development including Safeguarding Vulnerable Groups, and all Designated Officers have also undertaken full retraining on Safeguarding Vulnerable Groups, taking into account new legislation in relation to Safeguarding Vulnerable Groups.

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.

Personal data related incidents

No personal data related incidents occurred during the year:

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

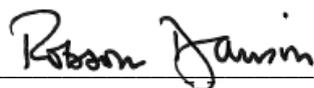
Members

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

Members	Date of Appointment	Term of Office	Date of Resignation	Status of appointment	Committees Served
Dr Robson Davison (Chair)	1 August 2011	4 years	-	Independent Member – Business Category	Education Committee, Staffing Committee, and Finance and General Purpose Committee (ex-officio member)
Mr David Lamb (Vice Chair)	1 August 2011 (Second Term)	4 years	-	Independent Member – Business Category	Audit Committee
Mr Neil Bodger	1 August 2011	4 years	-	Independent Member – Business Category	Audit Committee and Staffing Committee
Prof Heather Farley	18 January 2010	4 years	-	Independent Member – Business Category	Staffing Committee
Mr Sam Gallaher	1 August 2011 (Second Term)	4 years	-	Independent Member – Business Category	Education Committee and Audit Committee
Mr Mark Graham	1 August 2011	4 years	-	Independent Member – Business Category	Staffing Committee and Finance and General Purpose Committee
Mr Alan Henry	1 December 2011	4 years	-	Independent Member – Business Category	Staffing Committee and Audit Committee
Mr James Hunt	3 April 2008	4 years	2 April 2012	Independent Member – SEELB Nominee	Finance & General Purpose Committee
Mr Edward Jackson	1 April 2010	4 years	-	Independent Member – Business Category	Finance and General Purpose Committee
Mr Stephen Pollard	1 August 2011	4 years	28 June 2012	Independent Member – Business Category	Education Committee and Audit Committee

Members	Date of Appointment	Term of Office	Date of Resignation	Status of appointment	Committees Served
Mrs Beth Porter	3 April 2008	4 years	2 April 2012 (Reappointed 20 August 2012)	Independent Member – SEELB Nominee	Education Committee and Staffing Committee
Mrs Heather Reid	1 August 2011	4 years	-	Independent Member – Business Category	Education Committee and Staffing Committee
Mr Ken Webb	1 July 2008	On-going	-	Principal and Chief Executive	Education Committee, Staffing Committee, and Finance and General Purpose Committee
Mr Russell Andrews	26 February 2008	4 years	25 February 2012	Staff Governor	Audit Committee
Ms Linda Martin	26 November 2007 11 April 2012	4 years 4 years	25 November 2011	Staff Governor	Finance and General Purpose Committee, and Audit Committee
Mr Michael Simcock	11 April 2012	4 years	-	Staff Governor	Finance and General Purpose Committee
Ms Sami Ali	26 October 2011	Until 30 September 2012	6 August 2012	Student Governor	Finance and General Purpose Committee

For and on behalf of the members of the Governing Body



Chairman

27-11-2012

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 and are members of the Northern Ireland Teachers' Superannuation Scheme (NITSS). The normal pensionable age (NPA) for members of the NITSS who joined prior to 1 April 2007 is 60, whereas new entrants after that date have an NPA of 65. Staff in pensionable employment on or after 1 April 2007 may retire between the age of 55 and their NPA, but their pension benefit will be actuarially reduced.

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	2011-12		2010-11	
	Salary £'000	Benefits in kind £	Salary £'000	Benefits in kind £
Mr K Webb Director (Appointed 1 July 2008)	105-110	0	105-110	0
Mr T Keating Deputy Director (Appointed 1 June 2009)	80-85	0	80-85	0
Dr M Malone Deputy Director (Appointed 1 June 2009)	80-85	0	80-85	0
Mr D Smith Deputy Director (Appointed 1 June 2009)	80-85	0	80-85	0

Relationship between Remuneration of the highest paid director and median remuneration of workforce:

	2011-12 £'000	2010-11 £'000
Band of highest paid directors total remuneration	105-110	105-110
Median total remuneration	27,867	27,954
Ratio	3.86	3.85

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 31/7/12 and related lump sum £'000	Real increase in pension and related lump sum at age 60 £'000	CETV at 31/7/12 £'000	CETV at 31/7/11 £'000	Real increase in CETV £'000
Mr K Webb Director	30-35 Plus lump sum of 0*	2.5-3.0 0*	493	430	63
Mr T Keating Deputy Director	25-30 Plus lump sum of 80-85	1.0-1.5 Plus lump sum of 4.0-4.5	493	428	65
Dr M Malone Deputy Director	30-35 Plus lump sum of 90-95	1.0-1.5 Plus lump sum of 4.0-4.5	606	552	54
Mr D Smith Deputy Director	25-30 Plus lump sum of 80-85	1.0-1.5 Plus lump sum of 4.0-4.5	471	409	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 2011-12.

**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 incorporated 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 of members appointed by the Minister for Employment and Learning, members nominated by the Education and Library Board for the area, staff and students of the College, the Chief Executive Officer (CEO)/Principal and people co-opted by the Governing Body. 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 college. The Governing Body approves all major developments and receives regular reports on the activities of the College. The Governing Body met 6 times during the 2011/12 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 is responsible for reviewing the effectiveness of the College's accounting procedures and systems of internal control. It provides a channel of communication from the College's auditors, which is not controlled by college management. It also must satisfy itself that adequate arrangements are in place to promote economy, efficiency and effectiveness. The Committee met 5 times during the 2011/12 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

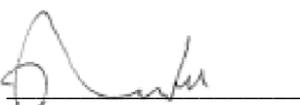
The Finance and General Purposes Committee inter alia supervises all matters relating to the finance and accounts of the College and the receipt of its income and expenditure. It is the duty of this Committee to present a report to each meeting of the Governing Body. The Committee met 5 times during the 2011/12 year.

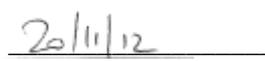
Education Committee

The Education Committee is responsible for overseeing College curricular provision, especially the nature, quality and performance of the provision and the extent to which it meets the needs of the community that the College seeks to serve. The Committee met 5 times during the 2011/12 year.

Staffing Committee

The Staffing Committee is responsible for carrying out procedures in relation to the recruitment, appointment, promotion and grading of all staff, other than senior staff. The Committee met 5 times during the 2011/12 year.


Accounting Officer


Date

**SOUTH EASTERN REGIONAL COLLEGE
STATEMENT OF THE RESPONSIBILITIES OF THE GOVERNING BODY
FOR THE YEAR ENDED 31 JULY 2012**

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 27 November 2012 and signed on its behalf by:



Dr Robson Davison
Chairman

**SOUTH EASTERN REGIONAL COLLEGE
ACCOUNTING OFFICER'S REPORT TO THE GOVERNING BODY
FOR THE YEAR ENDED 31 JULY 2012**

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.

My responsibilities as Chief Executive and Accounting Officer are set out in Managing Public Money (NI) issued by DFP and in accordance with the Financial Memorandum between DEL and the Further Education Colleges. I am accountable to the NI Assembly, Parliament and the Department's Accounting Officer.

The Governing Body, supported by the Audit Committee and the Finance and General Purpose Committee, exercises an oversight role to ensure the effective use of resources, solvency of the College and the safeguarding of assets.

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 likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Eastern Regional College for the year ended 31 July 2012 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

The College's capacity to manage risk is established through the risk and control framework and the experience of senior management in the risk management process. The Directorate and College Management Team, together with the Governing Body, provide leadership to the risk management environment.

The College's Risk Management Policy has been enforced 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. 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.

The College has ensured that staff are trained and equipped to manage risk in a way appropriate to their level of authority and duties, and guidance on the College's risk management process is available to all staff on the intranet. During 2011/12 all new Governors were provided training by the Department for Employment and Learning pertaining to their role on the Governing Body, which included risk management. Additionally, two members of Governing Body attended an Audit Committee training course.

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 2012 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
- Each corporate risk is prioritised against a standardised risk impact/likelihood matrix to reduce subjectivity in assessing risk.
- The Corporate Risk Register is presented to the Audit Committee at each scheduled meeting.
- 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 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.

Risks to data quality have been assessed as part of the College’s overall Risk Management Procedures. Appropriate controls are in place to mitigate any identified risks.

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 Substantial 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.

A summary of the findings from the reviews completed during 2011/12 is provided below:

Area reviewed	Assurance Rating
Financial Controls including Procurement	Substantial
Arrangements for the implementation of the Quality Improvement Plan	Substantial
Effectiveness of timetabling arrangements across the College	Substantial
Curriculum Planning	Substantial
Monitoring and attainment of Corporate Objectives	Substantial
Student Support Services	Substantial

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 Governing Body, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

My review of effectiveness of the system of internal control is informed by:

- Receiving reports from the Chair of the Audit Committee concerning internal control, governance and risk;
- Reports submitted by the College’s Internal Auditors identifying recommendations for improvement which College management have accepted and are addressing;
- Reports submitted by the Financial Audit and Support Team;
- The Corporate Risk Register; and
- Comments made by the Northern Ireland Audit Office in their Report to Those Charged with Governance.

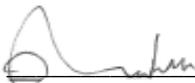
Significant internal control problems

Prior Year Issues

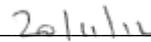
All recommendations relating to prior year issues have been fully implemented.

Current Year Issues

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



Accounting Officer



Date

SOUTH EASTERN REGIONAL COLLEGE

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

I certify that I have audited the financial statements of the South Eastern Regional College for the year ended 31 July 2012 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, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective Responsibilities of the Governing Body and Auditor

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- The financial statements give a true and fair view of the state of South Eastern Regional College's affairs as at 31 July 2012 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 the Department for Employment and Learning directions issued 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 made 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; and
- the information given in the Operating and Financial 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 2012

SOUTH EASTERN REGIONAL COLLEGE
INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 July 2012

		2012	2011
	<u>Notes</u>	£'000	£'000
INCOME			
Department for Employment and Learning Grants	2	35,288	31,455
Education contracts	3	10,526	9,525
Tuition fees and charges	4	2,242	2,137
Other grant income	5	431	740
Other operating income	6	761	930
Investment income	7	<u>124</u>	<u>111</u>
Total income		49,372	44,898
EXPENDITURE			
Staff costs	8	25,729	26,006
Other operating expenses	10	22,281	16,362
Depreciation	13	<u>2,113</u>	<u>2,182</u>
Total expenditure before exceptional items		<u>50,123</u>	<u>44,550</u>
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and before tax and before exceptional items		(751)	348
EXCEPTIONAL ITEMS			
Exceptional costs (staff)	8	78	1,046
Exceptional costs (non-staff)	10	<u>-</u>	<u>29</u>
Deficit on continuing operations after depreciation of assets at valuation and before tax		(829)	(727)
Profit/(Loss) on disposal of assets		<u>140</u>	<u>(257)</u>
Deficit on continuing operations after depreciation of assets at valuation and disposal of assets but before tax		(689)	(984)
Taxation	11	-	-
Deficit on continuing operations after depreciation of assets at valuation and tax	12	<u>(689)</u>	<u>(984)</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 2012

		2012	2011
	<u>Notes</u>	£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation and tax		(689)	(984)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	18	<u>750</u>	<u>1,109</u>
Historical cost surplus for the year		<u>61</u>	<u>125</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 2012

		2012	2011
	<u>Notes</u>	£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation and tax		(689)	(984)
Unrealised gain/(deficit) on revaluation of fixed assets	18	12,497	(1,090)
Actuarial (losses)/gains in respect of pension scheme	20	(3,774)	7,080
Total recognised gains/(losses) for the year		<u>8,034</u>	<u>5,006</u>

		2012	2011
		£'000	£'000
Reconciliation of movement in reserves			
Opening reserves		30,466	25,460
Total recognised gains /(losses) for the year		<u>8,034</u>	<u>5,006</u>
Closing Reserves		<u>38,500</u>	<u>30,466</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 2012

		2012	2011
	<u>Notes</u>	£'000	£'000
Fixed assets			
Tangible assets	13	<u>109,283</u>	<u>99,889</u>
Total fixed assets		<u>109,283</u>	<u>99,889</u>
Current assets			
Debtors	14	2,826	3,185
Assets held for sale		1,163	-
Cash at bank and in hand		<u>3,063</u>	<u>4,461</u>
Total current assets		7,052	7,646
Less: Creditors - amounts falling due within one year	15	(2,009)	(3,466)
Less: PPP finance lease creditor - amounts falling due within one year		<u>(877)</u>	<u>(981)</u>
Net current assets		<u>4,166</u>	<u>3,199</u>
Total assets less current liabilities		113,449	103,088
Less: Provision for liabilities and charges	16	(311)	(212)
Less: PPP finance leases – amounts falling due after more than one year		<u>(39,696)</u>	<u>(60,598)</u>
Net assets excluding pension liability		73,442	42,278
NILGOSC Pension fund creditor	20	(4,433)	(766)
Net assets including pension liability		<u><u>69,009</u></u>	<u><u>41,512</u></u>

SOUTH EASTERN REGIONAL COLLEGE
BALANCE SHEET (continued)
as at 31 July 2012

		2012	2011
	<u>Notes</u>	£'000	£'000
Deferred capital grants	17	30,509	11,046
Reserves			
Revaluation reserve	18	38,563	26,816
Income and expenditure account excluding pension reserve	19	4,370	4,416
Pension reserve	20	<u>(4,433)</u>	<u>(766)</u>
Income and expenditure account including pension reserve	19	<u>(63)</u>	<u>3,650</u>
Total reserves		<u>38,500</u>	<u>30,466</u>
Total funds		<u>69,009</u>	<u>41,512</u>

The financial statements on pages 31 to 61 were approved by the Governing Body of South Eastern Regional College on 27 November 2012 and were signed on its behalf on that date by:



Dr R Davison
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 2012

	<u>Notes</u>	2012 £'000	2011 £'000
Cash (outflow)/inflow from operating activities	21	(21,483)	24,230
Returns on investments and servicing of finance	22	124	111
Capital expenditure and financial investment	23	19,961	(23,829)
Financing		<u>-</u>	<u>-</u>
(Decrease)/increase in cash in the year	24	<u>(1,398)</u>	<u>512</u>
 Reconciliation of net cash flow to movement in net funds			
		2012 £'000	2011 £'000
(Decrease)/Increase in cash in the year		<u>(1,398)</u>	<u>512</u>
Movement in net funds in the year		(1,398)	512
Net funds at 1 August		<u>4,461</u>	<u>3,949</u>
Net funds at 31 July		<u>3,063</u>	<u>4,461</u>

In this statement, figures in brackets 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 and in accordance with applicable United Kingdom accounting standards.

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.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis 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 2012**

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 scheme 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 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, including irrecoverable VAT, 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 2012

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 recognised, in 2010/11, 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 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. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

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.

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.

Liquid Resources

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

Provisions

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

Agency Arrangements

The College acts as an agent in the collection and payment of 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 31, except for £38k received which is available to the College to cover administration costs relating to the 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 2012

2. DEPARTMENT FOR EMPLOYMENT AND LEARNING GRANTS

	2012	2011
	£'000	£'000
Recurrent grant	24,600	25,567
Release of deferred capital grants	531	362
Educational Maintenance Allowance Administration	38	35
Major Works	1	34
Learner Access and Engagement	22	207
Public Private Partnership (PPP)	9,779	4,580
Additional Support Funds (ASF)	246	233
Care to Learn	71	93
Other	-	344
	35,288	31,455

3. EDUCATIONAL CONTRACTS

	2012	2011
	£'000	£'000
Entitlement Framework	1,192	1,399
Training for Success/Jobskills	7,362	6,697
Steps to Work/New Deal	1,879	1,365
Training Organisation – Other	93	64
	10,526	9,525

4. TUITION FEES AND CHARGES

	2012	2011
	£'000	£'000
Higher Education (HE) income	1,069	988
Home and other European Union	1,043	1,047
Non-European Union	130	102
	2,242	2,137

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

5. OTHER GRANT INCOME

	2012	2011
	£'000	£'000
European funds	157	-
Other funds	274	740
	431	740

The College was the lead partner (2010/11) in a consortium to deliver the Rapid Response Programme in Northern Ireland.

The comparative 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 paid to consortium partners has been excluded from these comparative figures. Total income claimed in 2010/11 under this arrangement and the related payments to partners was as follows:

	2012	2011
	£'000	£'000
Rapid Response Income	-	189
Payments to non College partners	-	-
Payments to College partners	-	(44)
Net income	-	145

6. OTHER OPERATING INCOME

	2012	2011
	£'000	£'000
Catering and residence operations	200	153
Other income generating activities	165	146
Other income	396	631
	761	930

7. INVESTMENT INCOME

	2012	2011
	£'000	£'000
Other interest receivable	124	111
	124	111

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

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:

	2012	2011
	Number	Number
Teaching	449	470
Support	155	121
Administration	182	193
Premises	16	18
	<hr/>	<hr/>
Total	802	802

	2012	2011
	£'000	£'000
Staff costs for the above persons		
Teaching	16,230	16,719
Support	3,416	2,525
Administration	5,786	6,080
Premises	402	462
FRS 17 adjustment	(105)	220
	<hr/>	<hr/>
	25,729	26,006
Exceptional staff costs (redundancy)	78	1,046
	<hr/>	<hr/>
Total	25,807	27,052

Wages and salaries	21,616	21,580
Social Security costs	1,627	1,597
Other pension costs (including FRS 17 adjustments of (£105,000) (2011: £220,000))	2,486	2,829
	<hr/>	<hr/>
	25,729	26,006
Exceptional staff costs (redundancy)	78	1,046
	<hr/>	<hr/>
Total	25,807	27,052

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

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	
	2012	2011	2012	2011
	Number	Number	Number	Number
£60,001 to £70,000	-	-	9	8
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	3	3	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	1	1	-	-
	4	4	9	8

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.

	2012	2011
	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:

	2012	2011
	£'000	£'000
Salaries	353	352
Benefits in kind	-	-
Pension contributions	48	48
Total emoluments	401	400

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

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

	2012	2011
	£'000	£'000
Salaries	108	108
Benefits in kind	<u>-</u>	<u>-</u>
	108	108
Pension contributions	<u>15</u>	<u>15</u>
	123	123

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 2012

10. OTHER OPERATING EXPENSES

	2012	2011
	£'000	£'000
Direct teaching	835	734
Direct support	5,076	4,747
Administration	1,858	1,994
Consultancy Fees	-	10
Premises	3,333	3,178
Unitary payments – PPP operating cost	8,124	2,982
Unitary payments – PPP finance lease interest	3,055	2,717
	22,281	16,362
Exceptional costs (non staff)	-	29
Total	22,281	16,391

Other operating expenses include:

	2012	2011
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	20	25
Internal audit	23	23
Other services provided by the financial statements auditor	-	3
Other services provided by the internal auditors	81	1
Hire of other assets – operating leases	50	57

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

	2012	2011
	£'000	£'000
The deficit on continuing operations for the year is made up as follows:		
College's deficit for the year	(689)	(984)

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

13. TANGIBLE FIXED ASSETS

	Freehold land	Buildings	PFI	Buildings under construction	Plant and equipment	Computers	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 August 2011	14,059	20,000	64,804	1,588	1,246	474	252	154	102,577
Additions	-	18	-	-	139	122	179	57	515
Disposals	(218)	(133)	-	-	-	-	-	-	(351)
Revaluation	(5,490)	6,012	9,106	-	-	-	-	-	9,628
Reclassified assets	(1,163)	-	-	-	-	-	-	-	(1,163)
At 31 July 2012	7,188	25,897	73,910	1,588	1,385	596	431	211	111,206
Depreciation									
At 1 August 2011	-	5	919	-	1,010	402	207	145	2,688
Charge for the year	-	631	1,323	-	113	26	11	9	2,113
Disposals	-	(9)	-	-	-	-	-	-	(9)
Revaluation	-	(627)	(2,242)	-	-	-	-	-	(2,869)
Reclassified Assets	-	-	-	-	-	-	-	-	-
At 31 July 2012	-	-	-	-	1,123	428	218	154	1,923
Net book value at 31 July 2012	7,188	25,897	73,910	1,588	262	168	213	57	109,283
Net book value at 31 July 2011	14,059	19,995	63,885	1,588	236	72	45	9	99,889

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

Surplus on Revaluation

Land and buildings were last subject to a full revaluation in July 2012 on a depreciated replacement cost basis. The valuations were performed independently by the Land and Property Service in accordance with Department specifications. These revaluations have been incorporated into the financial statements.

Income & Expenditure Account – Depreciation

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

	2012	2011
	£'000	£'000
Charge for the year on owned assets	790	722
Accelerated depreciation on buildings	-	462
Charge for the year on PPP assets	1,323	998
	<hr/>	<hr/>
Charge in the Income & Expenditure Account	2,113	2,182

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

14. DEBTORS

	2012	2011
	£'000	£'000
Amounts falling due within one year:		
Amounts due from the Department	1,834	1,280
Trade debtors	543	1,479
Prepayments and accrued income	449	426
	2,826	3,185

15. CREDITORS: AMOUNTS FALLING DUE WITHIN 1 YEAR

	2012	2011
	£'000	£'000
Payments received in advance	376	319
Trade creditors	763	433
Taxation and social security	3	1
Trade accruals	630	1,160
Redundancy Accrual	29	1,024
Amounts owed to the Department	208	529
	2,009	3,466

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Litigation	Other	Total
	£'000	£'000	£'000
At 1 August 2011	212	-	212
Income and Expenditure account	-	99	99
Expenditure in the period	-	-	-
At 31 July 2012	212	99	311

The brought forward litigation 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.

The provision recognised in 2011/12 relates to a payment for some lecturing staff under the Deane Agreement. The payment is considered to be a legal obligation in the lecturers' contracts, but timing over payment is uncertain.

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

17. DEFERRED CAPITAL GRANTS

	DEL grants £'000	Total £'000
At 1 August 2011		
Land and buildings	10,852	10,852
Other assets	<u>194</u>	<u>194</u>
	11,046	11,046
Cash received		
Land and buildings	19,758	19,758
Other assets	<u>236</u>	<u>236</u>
	19,994	19,994
Released to Income and Expenditure Account		
Land and buildings	(431)	(431)
Other assets	<u>(100)</u>	<u>(100)</u>
	(531)	(531)
At 31 July 2012		
Land and buildings	30,179	30,179
Other assets	<u>330</u>	<u>330</u>
Total	<u>30,509</u>	<u>30,509</u>

18. REVALUATION RESERVE

	2012 £'000	2011 £'000
At 1 August 2011	26,816	29,015
Revaluations in the period (as per note 13)	12,497	(1,090)
Transferred from revaluation reserve to general reserve in respect of:		
Depreciation of Revalued Assets	(408)	(832)
Disposals	<u>(342)</u>	<u>(277)</u>
At 31 July 2012	<u>38,563</u>	<u>26,816</u>

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

19. INCOME AND EXPENDITURE ACCOUNT

Income and expenditure account reserve

	2012	2011
	£'000	£'000
As at 1 August 2011	3,650	(3,555)
Deficit retained for the year	(689)	(984)
Transfer from revaluation reserve	750	1,109
Actuarial (losses)/gains in respect of pension scheme	<u>(3,774)</u>	<u>7,080</u>
At 31 July 2012	<u>(63)</u>	<u>3,650</u>
Balance represented by :		
Pension reserve	(4,433)	(766)
Income and expenditure account reserve excluding pension reserve	<u>4,370</u>	<u>4,416</u>
At 31 July 2012	<u>(63)</u>	<u>3,650</u>

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

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

	2012	2011
	£'000	£'000
NITSS: contributions paid	1,718	1,796
NILGOSC: contributions paid	954	813
NILGOSC: FRS 17 charge	<u>(105)</u>	<u>220</u>
NILGOSC: charge to the income and expenditure account (staff costs)	849	1,033
Enhanced pension charge to the income and expenditure account (staff costs)	<u>0</u>	<u>0</u>
Total pension cost for the year	<u>2,567</u>	<u>2,829</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the NITSS was 31 March 2008 and NILGOSC was 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 accrued benefit method.

From 1 April 2012 the employers' contribution rate is 13.6% of the full-time salary or if part-time, the full-time equivalent salary, and the employees' contribution rate is banded in line with the full-time salary or if part-time, the full-time equivalent salary as follows:-

Below £15,000	6.4%
£15,000 to £25,999	7.0%
£26,000 to £31,999	7.3%
£32,000 to £39,999	7.6%
£40,000 to £74,999	8.0%
£75,000 to £111,999	8.4%
£112,000 and above	8.8%

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 2012

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 2012 by a qualified independent actuary.

Principal actuarial assumptions

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

	2012	2011	2010
	%	%	%
Pension increase rate	2.2	2.7	2.9
Salary increase rate	4.5	5.0	4.9
Expected return on assets	4.9	6.4	6.7
Discount rate	4.1	5.3	5.4

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

	2012	2011
Current Pensioners		
Males	22.9	22.9
Females	25.7	25.7
Future Pensioners		
Males	24.9	24.9
Females	27.7	27.7

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 2012	Value at 31 July 2012		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
		£'000			£'000			£'000
Equities	5.5%	16,265		7.0%	15,412		7.30%	11,403
Bonds	3.5%	2,897		4.6%	3,124		4.80%	2,311
Property	3.7%	2,005		5.1%	1,458		5.30%	1,079
Cash	2.8%	1,114		4.0%	833		4.40%	616
Market value of assets		22,281			20,827			15,409
Present value of liabilities		(26,714)			(21,593)			(23,037)
Deferred tax liability		<u> </u>			<u> </u>			<u> </u>
Deficit in the scheme		(4,433)			(766)			(7,628)

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

Recognition in the balance sheet	2012	2011
	£'000	£'000
Present value of funded liabilities	(26,686)	(21,567)
Fair value of employer assets	22,281	20,827
	(4,405)	(740)
Present value of unfunded liabilities	(28)	(26)
Net liability	(4,433)	(766)

Recognition in the Income and Expenditure account

	£'000	£'000
Current service cost	966	826
Interest cost on pension liabilities	1,169	1,264
Expected return on pension scheme assets	(1,360)	(1,057)
Past service cost	-	-
Losses on curtailments and settlements	74	-
Total	849	1,033

Analysis of pension finance (cost)/income

Expected return on pension scheme assets	1,360	1,057
Interest cost on pension liabilities	(1,169)	(1,264)

Pension finance (cost)/income	191	(207)
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Actuarial Gains/(Losses) recognised in STRGL	(3,774)	7,081
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	2012	2011
	£'000	£'000
As at 1 August as stated	(766)	(7,628)
Current service cost	(966)	(826)
Employer contributions	954	813
Contributions in respect of unfunded benefits	1	1
Losses on curtailments and settlements	(74)	-
Pension finance (cost)/income	191	(207)
Past service cost	-	-
Actuarial Gain/(Losses)	(3,774)	7,081
Deficit in scheme at 31 July	(4,433)	(766)

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

Reconciliation of Defined Benefit Obligation

	2012	2011
	£'000	£'000
Liabilities at 1 August	21,593	23,037
Current service cost	966	826
Interest cost	1,169	1,264
Employee contributions	311	303
Actuarial losses/(gains)	3,011	(3,479)
Past service cost/(gain)	-	-
Estimated unfunded benefits paid	(1)	(1)
Estimated benefits paid	(409)	(357)
Losses on curtailments and settlements	74	-
	<hr/>	<hr/>
Liabilities at 31 July	26,714	21,593
	<hr/>	<hr/>

Reconciliation of Fair Value of Employer Assets

	2012	2011
	£'000	£'000
Assets at 1 August	20,827	15,409
Expected return on employer assets	1,360	1,057
Actuarial Gains/(Losses)	(762)	3,602
Employer contributions	954	813
Contributions in respect of unfunded benefits	1	1
Employee contributions	311	303
Estimated unfunded benefits paid	(1)	(1)
Estimated benefits paid	(409)	(357)
	<hr/>	<hr/>
Assets at 31 July	22,281	20,827
	<hr/>	<hr/>

The estimated value of employer contributions for the year ended 31 July 2013 is £962,000.

History of experience gains and losses

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Difference between the expected an actual return on employer assets	(757)	1,117	1,552	(1,941)	(1,733)
Fair value of employers assets	22,281	20,827	15,409	12,098	11,907
Experience gains and losses on scheme liabilities	(214)	3,525	-	-	553
Present value of liabilities	26,714	21,593	23,037	20,662	15,680
Actuarial (Losses)/Gains recognised in STRGL	(3,774)	7,081	(126)	(4,444)	(984)
Present value of liabilities	26,714	21,593	23,037	20,662	15,680

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

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

	2012	2011
	£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation	(689)	(984)
Depreciation (note 13)	2,113	2,182
Reclassification of tangible fixed assets (note 13)	-	15
Deferred capital grants released to income (note 17)	(531)	(362)
Interest receivable (note 7)	(124)	(111)
Pension (cost)/gain less contributions payable (note 20)	(105)	220
Decrease/(Increase) in debtors	359	(258)
(Decrease)/Increase in creditors	(1,458)	79
(Decrease)/Increase in PPP creditor	(21,007)	23,191
(Profit)/Loss on sale of tangible assets	(140)	257
Increase in provisions	99	-
Net cash (outflow)/inflow from operating activities	(21,483)	24,230

22. RETURN ON INVESTMENT AND SERVICING OF FINANCE

	2012	2011
	£'000	£'000
Other interest received	124	111
Net cash inflow from returns on investment and servicing of finance	124	111

23. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2012	2011
	£'000	£'000
Purchase of tangible fixed assets	(515)	(24,635)
Deferred capital grants received	19,994	787
Proceeds on sale of fixed assets	482	19
Net cash inflow/(outflow) from capital expenditure and financial investment	19,961	(23,829)

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

24. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Aug 2011 £'000	Cash flows £'000	At 31 July 2012 £'000
Cash in hand and at bank	4,461	(1,398)	3,063
	4,461	(1,398)	3,063
Financing	-	-	-
Total	4,461	(1,398)	3,063

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

	2012 £'000	2011 £'000
Accrual as at 1 August	1,025	-
Income and expenditure account charge	78	1,046
Operating cash outflow	(1,074)	(21)
Accrual as at 31 July	29	1,025

The operating cash outflows do not include an outflow of £29k for exceptional redundancy costs as the amount provided was not paid until the following financial year.

26. POST BALANCE SHEET EVENTS

There are no post balance sheet events.

27. CAPITAL COMMITMENTS

	2012 £'000	2011 £'000
Contracts placed for future capital expenditure not provided in the financial statements	-	-

28. FINANCIAL COMMITMENTS

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

	2012 £'000	2011 £'000
Land and buildings		
Expiring within one year	14	6
Expiring within two and five years inclusive	-	4
Expiring in over five years	-	-
	14	10
Plant and Equipment		
Expiring within one year	43	43
Expiring within two and five years inclusive	-	43
Expiring in over five year	-	-
	43	86
Total	57	96

SOUTH EASTERN REGIONAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

29. 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 Governing Body 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 <u>to</u> the	Paid <u>to</u> the	Outstanding	Outstanding	Paid <u>by</u> the	Paid <u>by</u> the	Outstanding	Outstanding
		Company	Company	at 31 July	at 31 July	Company	Company	at 31 July	at 31 July
		2012	2011	2012	2011	2012	2011	2012	2011
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Colleges NI	Ken Webb <i>Chair of Finance & Audit Committee CNI</i>	104	101	-	-	1	-	-	-
Confederation of British Industry	Ken Webb <i>Northern Ireland Council Member</i>	13	10	1	-	-	-	-	-
Construction Industry Training Board	Michael Malone <i>Standards Committee Member, CITB</i>	26	29	1	-	1	-	-	-
	Thompson Keating <i>Board Member, CITB</i>								
Engineering Training Council	Michael Malone <i>Director, ETC</i>	10	19	2	-	-	41	18	18
Northern Ireland Tourist Board	Thompson Keating <i>Board Member, NITB</i>	16	-	-	-	-	-	-	-

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Organisation	Governor/Director & Position in Organisation	Paid to the	Paid to the	Outstanding	Outstanding	Paid by the	Paid by the	Outstanding	Outstanding
		Company	Company	at 31 July	at 31 July	Company	Company	at 31 July	at 31 July
		2012	2011	2012	2011	2012	2011	2012	2011
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Association for Geographical Information	Ken Webb <i>Committee Member, AGINI</i>	1	-	-	-	-	-	-	-
University of Ulster	Heather Farley <i>Head of Department, UU</i>	43	111	-	2	86	92	-	-
	Steve Pollard <i>Lecturer, UU</i>	1	-	-	-	2	-	-	-
Lisburn City Centre Management	Michael Malone <i>Member, LCCM</i>								
Stranmillis University College	Neil Bodger <i>Governor, Stranmillis UC</i>	7	-	-	-	-	-	-	-
South Eastern Education & Library Board	James Hunt <i>Audit Committee Member, SEELB</i>	-	1	-	-	10	10	-	-
Southern Education & Library Board	Neil Bodger <i>Appeals Chair, SELB</i>	-	-	-	-	1	-	-	-
Thermus Astar Ltd	Neil Bodger, <i>CEO, Thermus Astar Ltd</i>	-	-	-	-	5	-	-	-

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Organisation	Governor/Director & Position in Organisation	Paid <u>to</u> the Company 2012 £'000	Paid <u>to</u> the Company 2011 £'000	Outstanding at 31 July 2012 £'000	Outstanding at 31 July 2011 £'000	Paid <u>by</u> the Company 2012 £'000	Paid <u>by</u> the Company 2011 £'000	Outstanding at 31 July 2012 £'000	Outstanding at 31 July 2011 £'000
Grainger Building Services	Edward Jackson <i>Financial Director, Grainger Building Services</i>	-	1	-	-	1	-	-	-

The transactions with CNI 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.

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30. LOSSES AND SPECIAL PAYMENTS

	2012 £'000	2011 £'000
Bad Debt Write Off (6 cases)	-	6
Salary Overpayment Write Off (2 cases)	-	2
Other Minor Losses	-	-
	<hr/>	<hr/>
	-	8

31. HARDSHIP FUNDS

	2012 £'000	2011 £'000
Balance at 1 August	50	15
DEL grants	281	175
	<hr/>	<hr/>
	331	190
Disbursed to students	(123)	(140)
	<hr/>	<hr/>
Balance unspent at 31 July	208	50

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.

32. CONTINGENT LIABILITIES

The College received a grant from the Department to fund the shortfall between the proceeds from the disposal of surplus property and the contractual bullet payment made to the PPP Special Purpose Vehicle in March 2012.

At the date of bullet payment the College had disposed of one property. Subsequent to the bullet payment and the balance sheet date the College sold a further two properties with net proceeds of £242k.

The College, therefore, has a possible obligation in the Department clawing back the proportion of the grant that has now been met by the disposal proceeds.