



**SOUTH EASTERN REGIONAL COLLEGE  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 2013**

**South Eastern Regional College Annual Report and Accounts  
For the year ended 31 July 2013**

*Laid before the Northern Ireland Assembly  
under the Institutions of Further Education (Public Sector Audit) Order (Northern Ireland) 2008  
by the Department for Employment and Learning*

*on*

*13 December 2013*

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# ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2013

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**SOUTH EASTERN REGIONAL COLLEGE  
OPERATING AND FINANCIAL REVIEW 2012/13**

**NATURE, OBJECTIVES AND STRATEGIES**

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

**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. Based on this legislation, the Office for National Statistics, in 2010, reclassified colleges as part of Central Government. This has resulted in colleges being determined as Non-Departmental Public Bodies.

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

**Mission**

South Eastern Regional College's (SERC) mission is to shape its 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**

SERC works with a very wide range of stakeholders. It works within a challenging political, community, social, economic, educational, legislative and regulatory environment.

As a college operating within primary legislation and in receipt of significant public funds it is fully accountable to the Department for Employment and Learning (DEL) and to the Northern Ireland Assembly. It also works productively and professionally with a considerable number of local councils, statutory bodies, community and voluntary groups, businesses, trade unions and other bodies. It has also, of course, full regard for its students and trainees and for its staff, whether teaching, administrative or in support.

SERC is committed to operating, at all times, within the spirit and letter of its legislative and regulatory framework. It seeks to provide a service of high quality to, and to foster relationships with, all who have dealings with it. It seeks to treat its students, trainees, staff and all its stakeholders with integrity, fairness, openness and consistency. It has a duty of care to its students and staff which it seeks to undertake through all its processes. It attempts to provide its students and trainees, including those with learning difficulties or disabilities, with the qualifications they seek. At the same time it will support them and provide them with education in a wider sense including the development of their personal, social and employability skills, and with appropriate pastoral care. It seeks, also, to support and develop its staff to carry out their various roles and to promote professional innovation.

SERC seeks to communicate its values through a range of methods including working with bodies such as the Students' Union and the Joint Consultative Forum for staff trades unions, operating through processes such as SERC Extra, and through frequent engagement with councils, businesses, voluntary and community groups and schools.

Ultimately SERC will seek to be solution focussed in meeting the needs of society; excellence driven in how it does things; responsive to stakeholders where services need to improve; and creative where innovation is required. It is in this context that SERC's Vision, Mission and strategic themes are set out.

## Implementation of Strategic Plan

The College Development Plan outlines SERC's Strategic and Business plan. The current plan covers the period 2013 – 2016. It was considered by the College's Education Committee on 18<sup>th</sup> June 2013 and was reviewed and approved by the College's Governing Body on 25<sup>th</sup> June 2013. It sets out the College's Vision, Mission, Values, Core Goals and high-level targets and supports the Northern Ireland Executive's Programme for Government 2013 -16 (PfG). It is in line with the Strategic Objectives for the Northern Ireland Further Education (FE) Sector as set by DEL. These are:

- a) To support regional economic development and, in particular, to provide the skills necessary for the knowledge-based economy;
- b) To increase participation and widen access to those previously under-represented in the sector; and
- c) To improve the quality of provision and enhance standards of performance.

The policy developments that will take forward support for economic development include new priority sectors for NI. These are in the areas of business services; financial services; manufacturing (specifically food and drink processing) and advanced manufacturing; advanced engineering; life and health sciences; and creative industries and digital media.

DEL's Learning Strategy "FE Means Business" clearly positioned further education at the heart of the economy with its aim being to strengthen economic development, enhance social cohesion and advance the individual's skills and learning.

The FE sector also has a vital role to play in DEL's Skills Strategy for NI, "Success Through Skills – Transforming Futures" which highlights that compared with the United Kingdom average, NI has significantly more working age people with low level skills and fewer with high level skills.

To meet the needs of these strategies SERC will continue to:

- a) Raise skills and qualification levels in areas that meet the needs of the local economy;
- b) Ensure that curriculum provision is focussed on economic and workforce needs;
- c) Provide greater support to employers, for example in the areas of business creation, incubation and product development;
- d) Develop more flexible approaches to learning through the use of technologies and through partnership with other local providers;
- e) Improve its response to local needs including Small and Medium-Sized Enterprises (SMEs); and
- f) Update and ensure the quality of the College services remains in keeping with international standards of best practice.

## Strategic Objectives

The College's strategy for 2013 – 2016 is built around four strategic "themes":

1. Curriculum – the provision of a curriculum appropriate to the needs of the economy and our students.
2. Resources – the effective and efficient use of our resources.
3. Quality – a sustained focus on the quality of our provision.
4. Listening to and influencing our stakeholders.

Each theme has associated targets for 2013 – 2014 that underpin all individual School or Unit managers' operational plans for the year.

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 strategic themes. 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". Within this overall aim, DEL has set as the main objectives in relation to college activity:

- a) To improve the skills levels of the workforce, both current and future;
- b) To improve the quality and relevance of education and training; and
- c) To tackle the skills barriers to employment and employability.

DEL's new Public Service Agreement (PSA) target has an outcome target of 200,000 qualifications at levels 2 and above to be delivered from 2011 to 2015 in support of the up-skilling of the working-age population. The College, along with other FE colleges and other education and training providers, will continue to contribute to the delivery of this target, with the FE sector's contribution being 90,000 over the period. In addition, there is a target of 30,000 essential skills qualifications required by 2015.

As a result the College will seek to raise the skills levels of the work-force by delivering its allocated enrolment and FLU targets as set out in DEL's 2013-14 recurrent budget allocation including the commitment to Essential Skills provision and to Higher Education (HE) in FE provision.

Taking account of DEL's aims and priorities and the funding allocation, SERC has set targets around its key strategic themes as follows:

#### Strategic Theme 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.

#### 2012/13 Targets and Update:

- A. Contribute to the Department's new PSA target by delivering 11,000 qualifications at Level 2 and above and 4,400 Essential Skills qualifications

##### Update:

Target met for Level 2 qualifications – there were 12,907 achievements at Level 2 (based on FELs data for 2012/13) with 272 results still to be recorded. Target not met for Essential Skills – there were 4,006 Essential Skills qualifications with 104 results still to be recorded. This should be viewed in the context of a fall in Essential Skills enrolments of 459 between 2011/12 and 2012/13.

- B. To improve the employability of 3,500 full-time FE and 500 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.

##### Update:

Target met – 3,710 units have been achieved on the City & Guilds Employability and Personal Development qualification.

- C. To identify at least 20 areas of specialism that will align with industry requirements in the curriculum using qualitative and quantitative analysis.

##### Update:

Target met - SERC have agreed with the sector on the SPICE themes and titles to go forward to the interim accreditation process. SERC have identified at least 20 that we will be pursuing.

- D. To increase by 62 Full Time FE students (currently 1798 in 2011/2012) living in the five most deprived parts of SERC's catchment area.

Update:

Target met – 64 additional students have been enrolled this year of whom 34 are from the Driving Your Way To Success programme with students from the Downpatrick Neighbourhood Renewal Area.

2013/14 Targets:

- A. Meet FE enrolment target of 17,655 at FE Level 0-3 and 1,554 at HE level during 2013/14
- B. Further develop and embed Employability, Enterprise and Entrepreneurship:
  - a. Deliver College enterprise and employability programme for all new and existing full time students.
  - b. Improve leadership and management skills of full time Higher Education Learners
  - c. Develop and implement project work in all full-time curriculum areas
- C. Further develop employer engagement to meet the needs of industry and learners
  - a. Attain external accreditation of SPICE specialisms
- D. Introduce a new mainstream Learner Access and Engagement programme and introduce Learner Access and Engagement NEETS Pilot programme.

### Strategic Theme 2: Resources

As a body in receipt of considerable public resources SERC will strive to make efficient and effective use of the funding it receives. It will seek to operate within the confines of its budget. It will in all its financial dealings work with integrity and probity in line with the Financial Memorandum between the Department for Employment and Learning and the Further Education Colleges and the rules governing public finance. It will also seek to grow other income streams where possible.

2012/13 Target and Update:

- A. Deliver a balanced budget in 2013.

Update:

Target not met as explained in Financial Performance section.

2013/14 Targets:

- A. Deliver a balanced budget in 2014
- B. Improve leadership and management skills for Assistant Head of Schools and comparable corporate managers.
- C. Deliver any new capital build projects on time and on budget.

### Strategic Theme 3: Quality

To seek to maintain or improve performance in terms of success rates via effective management, a rigorous focus on high quality teaching and learning, the continued support of all college staff, and the successful operation of innovative approaches such as SERC Extra, ILT mentoring, learning support and student case conferences.

SERC has introduced the Course Assistance System (CAS) which supports course teams and individual staff where there are issues of concern that may affect the quality of the provision and the levels of course success. CAS encourages teams through a culture of self-evaluation to reflect on the students' learning experience and plan for improvement through a well-resourced, inclusive process.

2012/13 Targets and Update:

- 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%.

Update:

Target met – By the end of the year 6% of lessons observed remained at satisfactory or below (3 lessons out of 49). At the end of April there had been 31 observations undertaken with 24 graded as 'good or better' with supportive intervention for the remaining 7. The 7 were re-observed with 3 graded at satisfactory or below. In addition in June 18 observations were carried out on learning support with all 18 graded as good or better.

- B. To increase success rates for the College by 3% on the 2010-11 figure. (Increased to 4.5%)

Update:

Target met – FELs success rate for 2012-13 is 80% compared with 75% in 2010-11 with 740 results still to be recorded.

- C. To achieve a retention rate of 65% for 2011/12 starts on PLA programmes and an achievement rate of 65%.

Update:

Target not met - the figure for retention of PLAs is 62% defined as Satisfactory by ETI for 2011/12 starts. This is up from 56% for the 2010/11 cohort. Achievement data will be known in October with the completion of claims.

2013/14 Targets:

- A. Support improvement in the quality of teaching and learning:
- Develop 3 mandatory online pedagogy modules to be completed by all academic staff.
  - Create a Lesson Observation Team with representatives from all curriculum areas.
  - Complete 200 lesson observations, and review the outcomes of the process.
  - Include MOODLE in the induction training programme for new members of academic staff.
- B. Improve course performance by embedding the Course Assistance System:
- At risk courses identified and prioritised on a termly basis by schools.
  - CAS implemented for all identified courses on a termly basis.
  - A minimum of 10 CAS interventions.
- C. Achieve a College retention rate of 93% and a success rate of 79%
- D. Consolidate and standardise learner monitoring and review systems
- Develop a central student monitoring system by merging and re-engineering the e-ILP and Case Conference systems .

#### Strategic Theme 4: Listening and Influencing

To listen to key stakeholders such as students, politicians, businesses, voluntary and community groups, and local government and to take action to influence their perception of FE by articulating and promoting the value and importance of FE.

2013/14 Targets:

- To secure a customer satisfaction rate of 90%
- To secure an employee satisfaction rate of 65%
- To establish a benchmark by which to measure reputation
- To establish a benchmark for a "listening and influencing" quotient

#### **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 2012/13 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 £4,154k (2011/12 deficit of £689k). The result in 2012/13 is stated after accounting for an FRS 17 Retirement Benefit charge of £203k and a loss on disposal of fixed assets of £370k. The College disposed of surplus property at Castle Street in Lisburn during the financial year.

The College's total income for the year was £44.9m, a £4.4m decrease on 2011/12's total of £49.4m. The bulk of this decrease is attributable to £4m of exceptional funding provided by DEL in 2011/12 to meet a one-off VAT obligation associated with the College's PPP contracts. The remaining decrease reflects a £0.7m fall in income resulting from education contracts such as Training for Success and Steps to Work and an off-setting increase of £0.2m in tuition fees and charges.

2012/13 expenditure before exceptional items was £48.7m. This represents a decrease of £1.4m on the prior year total of £50.1m. The bulk of this decrease is attributable to a one-off VAT obligation of £4m in 2011/12 associated with the College's PPP contracts. As noted in the previous paragraph, this obligation was met by additional exceptional funding from DEL. This decrease was offset primarily by a £1.9m increase in staff costs year-on-year.

The College's historic outturn was a deficit of £2.639m compared with the College's original estimated outturn as per the College Development Plan of a surplus of £13k. The negative variance against this budgeted result has been caused by a number of factors as follows:

1. Actual income totalled £0.5m (1.2%) less than that included in the original budget:
  - a. Training for Success income was less than budgeted with a substantial portion of the difference being attributable to a claw-back of prior year funding.
  - b. Steps to Work income was less than budgeted. This relates directly to the number of participants on the programme (which is driven by referrals from Job Centre NI). The increase in participant numbers which was originally anticipated by the College in response to the on-going economic downturn failed to materialise during the year.
  - c. Commercial income was less than the amount targeted in the budget. This reflected a continuing challenging market place.
  - d. A higher level of deferred grant was recognised than that which was budgeted.
2. Actual staff costs totalled £0.8m (3.1%) more than that included in the original budget.
  - a. Direct teaching costs were above budget. This overspend was driven mainly by over-delivery in terms of FLUs and increased cohort numbers which in turn demanded increased lecturer time.
  - b. In direct support costs, classroom assistant costs were higher than budgeted as a result of higher levels of learning support being provided to students when compared to previous years.
  - c. Staff spend in other areas such as support and administration was largely under budget.
3. The net negative impact of asset revaluations and disposals was £1.3m higher than originally budgeted.

DEL had been informed at the end of Quarter 2 (January 2013) that an historic cost deficit of £0.3m was anticipated and at the end of Quarter 3 2013 (April 2013) that the anticipated figure was £0.2m. However, the forecasted improvements in income in relation to Training for Success, Steps to Work and full cost recovery activities were not realised in the final quarter of the year and due to its contractual obligations, SERC was unable to reduce costs in year. The College has obtained DEL's approval for the £2.6m historic cost deficit in the 2012/13 year.

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 2013 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 2012/13, DEL provided some 53.8% of the College's total income through allocated recurrent grant (2011/12: 49.8%).

This represented 16.6% of the total recurrent grant available to the sector (2011/12: 17.6%).

### **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 £1,933k (2011/12:£4,370k) (excluding the FRS17 Pension Reserve) and cash balances of £1,451k (2010/11:£3,063k) as at 31 July 2013.

At approximately 3.3% of income, the College's 2012/13 cash reserves are below DEL's Key Performance Indicator target for the sector of between 5% and 10%. The College is focussed on returning to a break-even position in 2013/14 with a view to building cash reserves up to within the recommended levels over the coming years.

### **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 to be fully evaluated and approval sought from the Finance and General Purposes Committee.

### Cash Flows

The College had a net cash outflow of £1,612k during the year as a result of the historic cost deficit result (2011/12: an outflow of £1,398k).

### Liquidity

With a cash balance of £1,451k (2011/12 £3,063k), the College's liquidity is a focus for improvement. 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 remains within this range at 1.5 (2011/12 2.4) but it should be stressed that not only is the College at the lower limit of the recommended range but that it 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. The College therefore plans to build its cash reserves over the coming years.

## Current and Future Development and Performance

### Student Activities and Achievements

The College increased its student enrolments by 11.7% during the year, giving a total enrolment of 36,810 in 2012/13 compared to 32,941 in 2011/12.

- Full-time enrolments were 5,920 (2011/12 6,264)
- Full-time FE enrolments were 3,216 (2011/12 3,060)
- Full-time HE enrolments were 545 (2011/12 559)
- Part-time enrolments were 30,890 (2011/12 26,580)

In terms of FLUs, the College delivered an actual total of 7,436 against its targeted FLUs of 7,401. These were made up of:

- FE 5,686 (against a target of 5,621 and a 2011/12 actual total of 5,585)
- HE 1,230 (against a target of 1,229 and a 2011/12 actual total of 1,169)
- ESS 520 (against a target of 551 and a 2010/11 actual total of 542)

The College had an excellent student retention rate (a measure of the proportion of learners who complete their learning programme) of 93% in 2012/13 (92% in 2011/12). 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 87% (85% in 2011/12) and 81% (78% in 2011/12) 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	
	2011/12	2010/11	2011/12	2010/11
Higher Education	98%	97%	96%	96%
Further Education	92%	91%	91%	91%
Essential Skills	79%	75%	80%	79%

#### Achievement rates by level of study

	SERC		NIFESector	
	2011/12	2010/11	2011/12	2010/11
Higher Education	94%	97%	93%	88%
Further Education	85%	85%	82%	78%
Essential Skills	89%	85%	83%	76%

#### Success rates by level of study

	SERC		NIFESector	
	2011/12	2010/11	2011/12	2010/11
Higher Education	92%	94%	89%	85%
Further Education	78%	78%	75%	71%
Essential Skills	70%	64%	66%	60%

SERC's success has been recognised in 2012/13:

- Bethany Firth - Paralympic Gold medallist.
- Irene Megaw - Pearson Teaching Awards UK Lecturer of the Year 2012.
- SkillFridge 2012 UK Finals Competition - Adam Lyness, Gold Medal for Air Conditioning and Refrigeration.
- SkillBuild 2012 UK Finals Competition - Andrew Gill, Gold medal for Plastering; and Mark Hawthorne, Silver for Carpentry.
- Jean Liddell, Access and Support Officer – awarded MBE.
- Barbara Judge, Teacher Tutor – awarded MBE.
- BTEC Beauty and Hospitality Student of the Year UK - Carolyn Barr.
- WorldSkills UK Final Competition - Wendi Magee, Gold medal for Reflexology; and Melanie Marshall, Bronze medal for Reflexology.
- SERC Marketing team – finalists in Chartered Institute of Marketing awards and Times Educational Supplement awards.
- SERC Finance team – awarded Excellence in Training status by Chartered Accountants Ireland.
- Lucy Best – two Bronze medals at 10<sup>th</sup> Special Olympics World Winter Games in South Korea.
- Essential Skills Learners of the Year – Brenda Young, Geraldine McKinney and Paula Boyd were Highly Commended.
- Lizzie Buick – Pearson Teaching Awards NI FE Lecturer of the Year 2013; Alpana Sharma – Highly Commended.
- Alice McDaniel, Lecturer in art and Design – awarded MBE.

### **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 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, and businesses. These include DEL, Sector Skills Councils, employer forums, Workforce Development Forums, area learning communities, local council economic development forums and even individual requests from businesses. It also takes account of feedback from individual learners in terms of their curriculum preferences.

### **MODES OF STUDY AND MAIN CURRICULUM AREAS**

The College has identified the following key groups of students:

- HE Full Time (L4-L7);
- FE Full Time (up to NQF L4) (L0-L3);
- FE Part Time vocational (L0-L3);
- Training For Success / Apprenticeship NI and other training programmes (L0-3);
- Essential skills;
- School based students (VEP);
- Part Time non vocational;
- Full-cost recovery training; and
- Special Educational Needs (SEN) 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. HE is defined as that curriculum provision that is at Level 4 or above on the Qualifications and Credit Framework (QCF). The bulk of the HE provision at SERC is at level 4 and 5 (i.e. Higher National Certificate (HNC), Higher National Diploma (HND), and Foundation Degree (FD). The College also offers a full Honours Degree in Business Management (level 6) in partnership with John Moores University Liverpool.

The College works with a range of partners which validate the provision of the HE qualifications at SERC. Currently Edexcel and University of Ulster (UU) are the partners that validate the largest number of programmes at SERC, namely the wide range of HND and HNCs. HE at SERC aims to provide students with the required achieved outcomes detailed in Framework for HE Qualifications (FHEQ). Design of 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 its HE provision delivered through FE and they include:

- Producing a work-ready workforce skilled in advanced technical, subject-specific skills and knowledge that relates to their chosen area of study e.g. engineering, construction, web-authoring, 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 to find solutions to complex problems with people from different backgrounds;
- Widening student participation in HE and supporting students' development within HE;
- A flexible practical curriculum responsive to economic need that can be delivered with academic rigour.

These characteristics are integrated within the College FT HE ethos and they include:

- Bridging courses and support for ES 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 and industry-led projects;
- Vocational specific project activities including overseas study and work placements;
- Curriculum delivery by staff with current industrial/sectoral knowledge;
- Opportunity for involvement in Student Companies to develop entrepreneurial skills.

The capacity to enhance the HE ethos at SERC is supported by the role of Quality Assurance Agency (QAA) and the introduction of Integrated Quality Enhancement Review (IQER). In this way the College believes that it is able to provide a modern and dynamic HE provision that is responsive to the evolving needs of the economy, in a cost effective manner. In developing the curriculum offer in this way the College can focus less on marketing traditional courses and more on providing individual learning packages that can be tailored to meet individual needs. Thus depending on the number of modules taken a student is classified as FT or PT. The number of HE FT students is determined by the MaSN cap as assigned by DEL

## FULL-TIME FURTHER EDUCATION

Further Education (FE) full-time is 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 Programmes of Study that lead 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; and
- A flexible practical curriculum responsive to economic need that can be delivered with academic rigour.

These characteristics are integrated within the 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.

## **SCHOOL PARTNERSHIPS**

The College is a key player in the delivery of pre-16 and post 16 courses in partnership with all local schools. SERC is an active member of five Area Learning Communities that pool resources to extend the individual curriculum portfolio. The Department of Education Entitlement Framework ensures schools must deliver a wide range of courses up to GCSE level (24 areas, academic and vocational) and then a substantial range to GCE (27 areas, academic and vocational). The College provides a substantial part of this provision in areas where the expertise or specialist resources do not exist in the schools.

The students on these Programmes of Study may study on the College premises or on the school premises or a combination of both. 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, Assumption Grammar, St Patrick's Grammar and De La Salle High School, St Colmcilles High School and St Malachy's High School.

## **TRAINING ORGANISATION**

Training for Success and ApprenticeshipNI provision in SERC is an important element of the College's provision with large numbers enrolled in all programmes. In 2013 SERC had a total of 1248 learners and Apprentices on programme making it the third largest of the 43 providers in Northern Ireland. SERC's 654 participants on the Programme Led Apprenticeship (PLA) made it the largest provider of that programme.

SERC offers 14 vocational subjects. Some vocational subjects where SERC has specialist expertise such as Construction Plant Maintenance, Polymer Processing and Refrigeration Air Conditioning are offered across Northern Ireland. During the last year there has been a change in distribution of new starts by professional and technical areas with significant reductions in the number of new starts in catering (3%), hairdressing and beauty therapy (2%) and motor vehicle (1%). Areas of growth include mechanical engineering which increased by 4% and a new Skills for Work Level 1 programme in mechanical engineering which resulted in the number of participants increasing by 100%.

The Training for Success and ApprenticeshipNI self-evaluation report for 2012/13 identified the key strengths of SERC's provision as:

- Very good strategic leadership;
- Highly effective actions to promote improvement;
- A comprehensive programme of Staff Development;
- Excellent accommodation and specialist resources;
- Wide ranging links and external partnerships which support learners;
- Highly effective planning at all levels to support and promote successful learning;
- Good or better quality of teaching, training, and learning across all of the provision;
- Effective use of information and learning technology (ILT) pedagogy programme in supporting and enhancing teaching, training and learning;
- The breadth of assessment methods which increased opportunities for full framework achievement;
- Breadth of TfS/AppNI curriculum provision, some of which is unique in NI;
- Provision of SERC vocational projects to support the development and assessment of the technical and professional skills of learners and meet the need of the wider community;
- Case Conferences which strengthened the learning experience through the provision of individual interventions;
- The e-Personal Training Plan which allows for individualised target setting which shaped the aspirations of learners;
- Strong pastoral care;
- Improved retention on all TfS strands;
- Improved achievement rates on nearly all strands, some of which were outstanding;
- Very Good to Outstanding achievement of Essential Skills on almost all programmes; Improved progression on most training programmes; and
- High levels of participation and success in recognised industry competitions.

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.

## **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.

Since September 2010 SERC has had 14,198 students on Essential Skills courses, 23% of the total number of people on such courses across Northern Ireland. The College has a large cohort of Essential Skills students provided by community, partner organisations and full-time students on vocational programmes.

## **BUSINESSES**

SERC has the capacity to provide high quality innovative services to businesses. This also includes providing access to additional sources of funding which businesses may not normally be aware of.

With Northern Ireland's 132,000 SMEs accounting for 98% of the business environment and employing over 500,000 people, this market is crucial in delivering innovation and sustaining an economy which can compete on a global platform.

The College believes that the only practical and feasible way of providing a cost effective solution to support this market is through the FE college network. With a large resource base, flexibility of delivery and wide product portfolio, SERC can drive innovation in the SME market.

SERC works with over 1,000 businesses including 20% of the top 100 NI companies providing training to improve employee skills, product development services to help businesses grow and consultancy to support innovation. At any one time over 1,000 students are on work placements with over 600 companies. The Business Engagement and Student Tracking system, known as BEST, has 4,115 companies recorded which have some form of contact with SERC for student placements and projects.

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**

The College organises and integrates suites of curriculum activities appropriate to the needs and abilities of the students to enhance their knowledge, employability and social skills in preparation for the world of work.

### **Intercampus Competitions**

The College believes that competition is an essential element in developing a student's skills and abilities. Therefore the College organises a range of intercampus competitions to develop these skills and abilities across a range of curriculum areas. These are led by the Competition Manager and supported by the course teams. They are also used to select students for regional and international competitions.

### **External Competitions and Awards**

The College aims to develop opportunities for students to progress their skills and abilities across local, national and international competitions. The Competitions Manager, along with course teams, identifies appropriate competitions and the process for selecting students. The College encourages students and staff to enter regional and national awards each year.

### **Employability Skills**

Through their vocational programme all students are encouraged to develop the skills of working with others, improving their own learning and problem solving. Programme teams also identify appropriate and relevant enrichment activities including work experience and qualifications linked to vocational aspirations of the groups of students.

### **Local Site Visits and Study Trips**

Visits to local companies and businesses are an important part of the curriculum giving the FT student an appreciation of a real working environment. Course coordinators organise a number of visits appropriate to the Programme of Study.

### **Guest speakers**

The College aims to enrich the student learning experience through engaging guest speakers from industries relevant to the curriculum area. Course coordinators along with their teams organise a number of guest speakers.

### **International cultural visits and study trips**

The College aims to provide students with the opportunity to participate in local and international study trips to broaden their experience vocationally and culturally. Course Coordinators and course teams identify links with partners across Europe and the rest of the world and explore the opportunity to access funding to support the financial cost. All Students have the chance to participate in these activities relevant to their area of study.

### **Entrepreneurship and enterprise**

Awareness amongst students of enterprise is raised by providing opportunities to support business ideas generation and incubation. To develop these skills a range of activities are embedded in the Programme of Study led by the College Enterprise Champions and supported by course teams. The Enterprise Champions offer encouragement, guidance and practical support to students who show entrepreneurial ideas and commitment, providing them with the opportunity to explore the possibility of turning these ideas into real profit making enterprises. 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.

### **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 2012 to 31 July 2013, the College paid 76% of its invoices within 30 days (2011/12: 78%). The College incurred no interest charges in respect of late payment for this period. The average number of payment days during 2012/13 was 19.9 (2011/12: 18.5).

## 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 2013/14 of 7,443 and will be provided with a budget allocation of 7,242 FLU's (or £24.6m) with which to deliver this. The target is made up of 5,628 FE FLUs, 500 Essential Skills FLUs and 1,315 HE FLUs. This represents a 0.6% increase on the 7,401 total FLU target for 2012/13 and a total increase of £0.7m or 2.9% in budget allocation against the 2012/13 FLU funding of £23.9m.

Despite the disappointing 2012/13 financial result, the College remains committed to its goal of achieving a balanced budget over the longer term. A return to a break-even position has been budgeted for 2013/14. The College is implementing corrective action with a view to achieving this target and believes that this break-even position, although challenging, can be maintained in the years to come.

## 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's estate consists of land with a net book value of £5,900k as at 31 July 2013 (31 July 2012 £7,188k), buildings with a net book value of £102,581k as at 31 July 2013 (31 July 2012 £99,807k) and buildings under construction of £1,615k as at 31 July 2013 (31 July 2012 £1,588k).

The estate includes campuses at:

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

### Financial

Net assets at 31 July 2013 were £71,658k (2011/12 £69,009k). This includes a £1,970k pension liability (2011/12 £4,433k).

## People

The College employs 746 people (expressed as full time equivalents), of whom 448 are teaching staff.

In the period August 2012 to July 2013 the sickness absence rate for staff was 3.33%. The most recent benchmarking data available for the NIFE sector covers the period August 2012 to July 2013 and shows average sickness absence rates of 3.35%.

## **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 2013 – 75% were positive about SERC, 16% neutral and 9% 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 27th August 2013 the Risk Register contained 5 Active Risks; 3 Categories A, 2 Category B and 0 Categories C. There have been 74 risks identified since Sept 07, with 69 risks having been removed.

The following extract from the Risk Management Report to the Audit Committee dated 10<sup>th</sup> September 2013 outlines the principal risk factors that may impact the College. Not all factors are within the College's control, and other factors may also affect the College.

<u>No.</u>	<b>Unique Ref</b>	<b>Link to Core Goals</b>	<u>Category</u>	<b>Risk Identified</b>	<b>Review Date</b>
1	R029	<b>Quality</b>	<b>B</b>	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.	November 2013
2	R071	<b>Quality</b>	<b>A</b>	Failure to have appropriate data protection processes in place	November 2013
3	R072	<b>Resources/ Quality/ Curriculum</b>	<b>B</b>	Failure to manage the re-tendering and the implementation of the sectoral MIS System	November 2013
4	R073	<b>Resources</b>	<b>A</b>	Failure to manage the procurement and financial viability of the STW replacement programme	November 2013
5	R074	<b>Resources</b>	<b>A</b>	Managing the financial viability of the College	November 2013

## **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; and
  - 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. Without this provision, many students' issues would have 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: KPMG  
Stokes House  
17 – 25 College Square East  
Belfast  
BT1 6DH

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 (Chair)
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 (Chair)
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
Mrs Alice Lennon	16 August 2012	4 years	-	Independent Member – SEELB Nominee	Education Committee
Mr Edward Jackson	1 April 2010	4 years	-	Independent Member – Business Category	Finance and General Purpose Committee (Chair)

Members	Date of Appointment	Term of Office	Date of Resignation	Status of appointment	Committees Served
Mr Gareth Hetherington	1 May 2013	4 years	-	Independent Member – Business Category	Audit Committee
Mrs Beth Porter	3 April 2008	4 years	2 April 2012 (Reappointed 20 August 2012)	Independent Member – SEELB Nominee	Education Committee (Chair) 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
Ms Linda Martin	26 November 2007 11 April 2012 Second Term	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
Mr Andrew McKeag	8 October 2012	1 year	-	Student Governor	-

For and on behalf of the members of the Governing Body

*Robert James*

Chairman

*26-11-2013*

Date

## **SOUTH EASTERN REGIONAL COLLEGE REMUNERATION REPORT**

### **Remuneration Policy**

#### **Members of the Governing Body**

Members of the Governing Body and the Chairperson 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 Chairperson 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 Chairperson 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 Principal/Director and Senior Management Team**

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

#### **Minimum Pay Levels**

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

#### **Progression**

There is no incremental progression for Principals/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 College's 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	2012/13		2011/12	
	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:

	2012-13 £'000	2011-12 £'000
Band of highest paid directors total remuneration	105-110	105-110
Median total remuneration	26,277	27,867
Ratio	4.09	3.86

### 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 31/7/13 and related lump sum £'000	Real increase in pension and related lump sum at age 60 £'000	CETV at 31/7/13 £'000	CETV at 31/7/12 £'000	Real increase in CETV £'000
<b>Mr K Webb Director</b>	30-35 Plus lump sum of 0*	2.0-2.5 0*	671	493	178
<b>Mr T Keating Deputy Director</b>	25-30 Plus lump sum of 85-90	1.0-1.5 Plus lump sum of 3.5-4.0	531	493	38
<b>Dr M Malone Deputy Director</b>	30-35 Plus lump sum of 95-100	1.0-1.5 Plus lump sum of 3.5-4.0	649	606	43
<b>Mr D Smith Deputy Director</b>	25-30 Plus lump sum of 80-85	1.0-1.5 Plus lump sum of 3.5-4.0	507	471	36

\* 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.

#### **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 2012-13.

**SOUTH EASTERN REGIONAL COLLEGE  
STATEMENT OF THE RESPONSIBILITIES OF THE GOVERNING BODY  
FOR THE YEAR ENDED 31 JULY 2013**

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 Chairperson, 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.

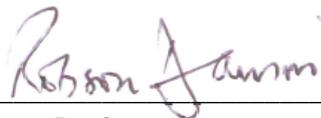
The maintenance and integrity of the College website is the responsibility of the Governing Body of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial 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 26 November 2013 and signed on its behalf by:



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**Dr Robson Davison**  
**Chairman**

**SOUTH EASTERN REGIONAL COLLEGE  
GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 JULY 2013**

**Introduction**

This is the first Governance Statement for South Eastern Regional College (SERC). It sets out the governance structures, risk management and internal control procedures that operated within SERC during the 2012-13 financial year and up to the date of approval of the Annual Report and Accounts.

This Governance Statement has been prepared in accordance with guidance issued by the Department of Finance and Personnel (DFP) and is aimed at supporting better governance and driving more consistent, coherent and transparent reporting.

**Scope of Responsibility**

The Chief Executive and Accounting Officer for the College has responsibility for maintaining a robust governance and risk management structure and a sound system of internal control that supports the achievement of the College's aims and objectives set by the Governing Body, whilst safeguarding the public funds and College assets for which he is personally responsible.

The responsibilities as Chief Executive and Accounting Officer are set out in Managing Public Money Northern Ireland (MPMNI) issued by DFP and in accordance with the Financial Memorandum between the Department for Employment and Learning (DEL) and the Further Education Colleges.

The Chief Executive and Accounting Officer is accountable to the Governing Body, the Department for Employment and Learning and the NI Assembly.

In order to manage the College efficiently, the Accounting Officer has been supported by formal governance structures with clear remits, details of which are provided below.

**Governing Body**

The Governing Body is established in accordance with the Further Education (Northern Ireland) Order 1997 which provides the statutory basis for further education in Northern Ireland. The Governing Body is subject to an Instrument and Articles of Government, the Financial Memorandum, the Audit Code and other regulatory requirements. In terms of governance, all other documents are subordinate to the Order and subject to its provisions.

The Governing Body of a college is a body corporate appointed by the Minister to act on behalf of the Department to ensure the efficient and effective management of the college and to ensure it secures the provision of suitable and efficient education to its students in line with statutory obligations in respect of further education. The purpose of corporate governance in further education is to ensure that the systems by which colleges are directed and controlled are operating effectively. The Governing Body has responsibility for setting the strategic direction of the College and for maintaining strategic oversight. It should ensure the demarcation of responsibilities between the Governing Body and the College's executive and provide and exercise both a support and challenge function in respect of the Principal and the executive team. Individual Governing Body members should bring independence, objectivity, impartiality and expertise to both the decision making and challenge processes within the college. There should be an appropriate balance of skills, experience and knowledge to enable the Governing Body to discharge its duties effectively.

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 who are elected within the College, the Chief Executive/Principal and members co-opted by the Governing Body.

Attendance during the year at the Governing Body meetings was as follows:

<b>Governing Body Member</b>	<b>Meetings Attended</b>	<b>Out of a Possible</b>
Robson Davison (Chair)	6	6
David Lamb (Vice Chair)	5	6
Neil Bodger	3	5
Heather Farley	3	5
Sam Gallaher	2	6
Mark Graham	5	6
Alan Henry	6	6
Gareth Hetherington	1	1
Edward Jackson	6	6
Alice Lennon	5	6
Linda Martin	6	6
Andrew McKeag	3	4
Beth Porter	5	6
Heather Reid	4	6
Michael Simcock	5	6
Ken Webb	5	6
<i>In attendance:</i>		
Thompson Keating, <i>Director of Corporate and Economic Development</i>	1	1
Tommy Martin, <i>Head of Finance</i>	6	6
David Smith, <i>Director of Learning and Customer Support</i>	1	1

Members of SERC staff are invited to attend where significant items pertaining to their business area are to be discussed by the Governing Body.

Information presented to the Governing Body is drafted by the appropriate department and proceeds through the necessary internal clearance procedures before being presented as formal agendas, papers and reports to the Governing Body. This ensures a high quality of reliable and up-to-date information is presented for the Governing Body's consideration. The Governing Body is content with the quality and reliability of the information presented during 2012-13.

In order to fulfil its role the Governing Body met 6 times during 2012-13. There are four established Committees: the Finance and General Purposes Committee, the Audit Committee, the Education Committee, and a Staffing Committee. All of these committees are formally constituted with terms of reference and comprise mainly lay members of the Governing Body.

A minimum of 6 members of the Governing Body must be present for the meeting to be deemed quorate. All Governing Body meetings during the 2012-13 financial year were fully quorate.

Full minutes of Governing Body meetings are available from the Secretary to 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.

## Governing Body Performance and Effectiveness

In 2012-13 the Department for Employment and Learning introduced new requirements for the assessment of the performance of the Governing Body, Chairperson and its members.

This assessment was completed through a detailed evaluation questionnaire which focused on areas such as:

- Objectives;
- Strategy;
- Infrastructure;
- Regulatory Environment;
- Team Work;
- Roles and Responsibilities;
- Decision Making; and
- Constructive Relationships with DEL and other key stakeholders.

Through completion of this assessment, the Governing Body has concluded that the overall performance for the year was considered to be of a high standard.

## Audit Committee

The Audit Committee is responsible for reviewing the effectiveness of the College's accounting procedures and systems of internal control and reporting to the Governing Body. The Audit Committee provides a channel of communication from the College's auditors, which is not controlled by College management.

Members of the Audit Committee are drawn from the Governing Body.

Attendance during the year at Audit Committee meetings was as follows:

<b>Audit Committee Member</b>	<b>Meetings Attended</b>	<b>Out of a Possible</b>
David Lamb (Chair)	5	5
Neil Bodger	0	5
Sam Gallaher	1	5
Alan Henry	4	5
Gareth Hetherington	1	1
Linda Martin	5	5
<i>In attendance:</i>		
Robson Davison	4	5
Thompson Keating, <i>Director of Corporate and Economic Development</i>	3	3
Tommy Martin, <i>Head of Finance</i>	5	5
David Smith, <i>Director of Learning and Customer Support</i>	1	1
Ken Webb	4	5

Other attendees are invited to attend the Audit Committee meetings if a discussion is to be held around their particular business area.

The Articles and Terms of Reference for the Audit Committee state that the Committee should meet at least 4 times a year, and more frequently as circumstances require. During the 2012-13 financial year there were 5 Audit Committee Meetings held. A quorum for any meeting of the Audit Committee is 3 members. All Committee meetings during the 2012-13 financial year were fully quorate.

Information presented to the Audit Committee is drafted by the appropriate department and proceeds through the necessary internal clearance procedures before being presented as formal agendas, papers and reports to the Audit Committee. This ensures a high quality of reliable and up-to-date information is presented for the Committee's consideration. The Audit Committee is content with the quality and reliability of the information presented during 2012-13

The key issues discussed at the Audit Committee meetings during the 2012-13 financial year were as follows:

- Risk Management;
- DEL Health Check;
- Internal Audit Reports – Monitoring of Action Plans;
- Annual Report and Financial Statements;
- Report to Those Charged with Governance (RTTCWG);
- Audit Committee Annual Report;
- Annual Assurance Statement;
- All external audit reports (for example FAST, DEL FLU Funding);
- Monitoring of actions taken in recommendations from RTTCWG;
- Internal Audit Plan and progress against Internal Audit Plan;
- National Fraud Initiative;
- Self-evaluation; and
- All relevant circulars/reports from DEL, NIAO, NAO, DFP, and Treasury minutes.

The Governing Body takes assurance from the reports presented by the Chair of the Audit Committee to the Governing Body at each meeting.

### Finance and General Purposes Committee

The Finance and General Purposes (F&GP) Committee inter alia supervises all matters relating to the finance and accounts of the College and the receipt of its income and expenditure.

Members of the Finance and General Purposes Committee are drawn from the Governing Body.

Attendance during the year at the Finance and General Purposes Committee meetings was as follows:

<b>Finance and General Purposes Committee Member</b>	<b>Meetings Attended</b>	<b>Out of a Possible</b>
Edward Jackson (Chair)	5	5
Robson Davison (Ex-Officio)	4	5
Mark Graham	5	5
Michael Simcock	3	5
Ken Webb	5	5
<i>In attendance:</i>		
Thompson Keating, <i>Director of Corporate and Economic Development</i>	3	3
Michael Malone, <i>Director of Curriculum and Information Services</i>	1	1
Tommy Martin, <i>Head of Finance</i>	5	5

Other attendees are invited to attend the Finance and General Purposes Committee meetings if a discussion is to be held around their particular business area.

The Articles and Terms of Reference for the F&GP Committee state that the Committee should meet at least 4 times a year, and more frequently as circumstances require. During the 2012-13 financial year there were 5 F&GP Committee Meetings held. A quorum for any meeting of the F&GP Committee is 3 members. All Committee meetings during the 2012-13 financial year were fully quorate.

Information presented to the F&GP Committee is drafted by the appropriate department and proceeds through the necessary internal clearance procedures before being presented as formal agendas, papers and reports to the F&GP Committee. This ensures a high quality of reliable and up-to-date information is presented for the Committee's consideration. The F&GP Committee is content with the quality and reliability of the information presented during 2012-13

The Finance and General Purposes Committee presents a report to each meeting of the Governing Body.

## **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.

Members of the Education Committee are drawn from the Governing Body.

Attendance during the year at the Education Committee meetings was as follows:

<b>Education Committee Member</b>	<b>Meetings Attended</b>	<b>Out of a Possible</b>
Beth Porter (Chair)	5	5
Robson Davison (Ex-Officio)	1	5
Sam Gallaher	1	5
Alice Lennon	5	5
Heather Reid	5	5
Ken Webb	5	5
<i>In attendance:</i>		
Thompson Keating, <i>Director of Corporate and Economic Development</i>	2	2
Michael Malone, <i>Director of Curriculum and Information Services</i>	4	4
David Smith, <i>Director of Learning and Customer Support</i>	5	5
Heads of Quality, Excellence and Development (One representative)	5	5

Other attendees are invited to attend the Education Committee meetings if a discussion is to be held around their particular business area.

The Articles and Terms of Reference for the Education Committee state that the Committee should meet at least 4 times a year, and more frequently as circumstances require. During the 2012-13 financial year there were 5 Education Committee Meetings held. A quorum for any meeting of the Education Committee is 3 members. All Committee meetings during the 2012-13 financial year were fully quorate.

Information presented to the Education Committee is drafted by the appropriate department and proceeds through the necessary internal clearance procedures before being presented as formal agendas, papers and reports to the Education Committee. This ensures a high quality of reliable and up-to-date information is presented for the Committee's consideration. The Education Committee is content with the quality and reliability of the information presented during 2012-13.

The Education Committee presents a report to each meeting of the Governing Body.

## 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.

Members of the Staffing Committee are drawn from the Governing Body.

Attendance during the year at the Staffing Committee meetings was as follows:

Staffing Committee Member	Meetings Attended	Out of a Possible
Heather Farley (Chair)	5	5
Robson Davison (Ex-Officio)	4	5
Neil Bodger	2	5
Mark Graham	5	5
Alan Henry	3	5
Beth Porter	3	5
Heather Reid	5	5
Ken Webb	5	5
<i>In attendance:</i>		
Thompson Keating, <i>Director of Corporate and Economic Development</i>	3	3
Paul Smyth, <i>Head of Human Resources</i>	5	5

Other attendees are invited to attend the Staffing Committee meetings if a discussion is to be held around their particular business area.

The Articles and Terms of Reference for the Staffing Committee state that the Committee should meet at least 4 times a year, and more frequently as circumstances require. During the 2012-13 financial year there were 5 Staffing Committee Meetings held. A quorum for any meeting of the Staffing Committee is 3 members. All Committee meetings during the 2012-13 financial year were fully quorate.

Information presented to the Staffing Committee is drafted by the appropriate department and proceeds through the necessary internal clearance procedures before being presented as formal agendas, papers and reports to the Staffing Committee. This ensures a high quality of reliable and up-to-date information is presented for the Committee's consideration. The Staffing Committee is content with the quality and reliability of the information presented during 2012-13.

The Staffing Committee presents a report to each meeting of the Governing Body.

## Senior Management Team

The Senior Management Team (SMT) of the College consists of:

- Principal and Chief Executive ('the Director')
- Deputy Directors

The SMT meets both on its own and as part of the College Management Team. Attendance during the year at the SMT/CMT meetings was as follows:

Senior Management Team Member	Meetings Attended	Out of a Possible
Ken Webb, <i>Principal and Chief Executive</i>	11	11
Thompson Keating, <i>Director of Corporate and Economic Development</i>	7	7
Michael Malone, <i>Director of Curriculum and Information Services</i>	10	11
David Smith, <i>Director of Learning and Customer Services</i>	11	11

The SMT meets to consider a pre-determined agenda. Typical agenda items which are discussed at SMT meetings include:

- FLU Updates;
- Learning and Customer Support;
- Curriculum and Information Services;
- Corporate and Economic Development;
- Quality, Excellence and Development;
- Communications and Business Services;
- Human Resources; and
- Finance.

The College has developed an online approval process, facilitated by its secure intranet, which provides a timely process for requests that require CMT review and approval (e.g. staff recruitment, capital expenditure, new Policies and Standard Operating Procedures). The system provides a tool for decision making without the necessity of a physical meeting.

### **Compliance with the Corporate Governance Code**

During 2012-13, the College complied with the principles and supporting provisions set out in the Corporate Governance Code.

### **Risk Management**

The College places significant emphasis on risk management. Risk management is viewed by the College as an essential element of the College's corporate governance framework and is closely linked with the College Development Plan and monitoring process.

The robust risk management process 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.

Risk management within the College is a dynamic 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 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 Senior Management Team and College Management Team, together with the Governing Body, provide leadership to the risk management environment.

The College has an embedded Risk Management Policy which 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 2012/13 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.

### **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 2013 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.

### **Corporate Risks Identified in 2012-13**

The corporate risks identified for the Risk Register as at August 2013 included:

- **Quality** – 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.
- **Quality** – Failure to have appropriate data protection processes in place.
- **Resources/Quality/Curriculum** – Failure to manage the re-tendering and implementation of the sectoral MIS system.
- **Resources** – Failure to manage the procurement and financial viability of the STW replacement programme.
- **Resources** – Managing the financial viability of the College.

All risks identified throughout 2012-13 have been appropriately managed within the Risk and Control Framework.

### **Fraud Reporting**

The College has a detailed Anti-Fraud Policy which was revised and updated in 2012. The Anti-Fraud Policy sets out the definition of fraud, details the responsibilities regarding the prevention of fraud and highlights the procedures to be followed in the event of a fraud being detected or suspected.

The Anti-Fraud Policy is included as mandatory training for all staff.

The College reports all suspected or detected frauds to the Department for Employment and Learning in line with Appendix D (Section 3) of the 'Financial Memorandum between the Department for Employment and Learning and the Further Education Colleges'.

During 2012-13 the College had no instances of suspected or detected fraud.

In 2011-12 a suspected fraud was reported to the Department, which remained under investigation in 2012-13.

## Whistleblowing

In 2012-13 the College revised and reissued its Whistleblowing Policy. The Policy provides individuals with a process to facilitate the reporting of concerns and suspected wrongdoing within the College and highlights the protection afforded to those who disclose concerns under the Public Interest Disclosure (NI) Order 1998.

The Whistleblowing Policy is included as mandatory training for all staff.

During 2012-13 the College had no incidents reported under the Whistleblowing Policy.

The independent third party investigation report of an older whistleblowing incident, part of which related to a legacy college, was finalised in the period and was accepted by the Governing Body in June 2013. All recommended actions have been accepted and are being progressed.

## Internal Audit

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. The internal audit plan was endorsed and approved by the Audit Committee and the Governing Body.

The internal audit service reports to the Accounting Officer and to the Audit Committee on a regular basis and have direct access to the Governing Body and to the Chairperson of the Audit Committee.

The Head of Internal Audit issues an Assurance Statement to the Accounting Officer which provides an independent and objective opinion on the overall adequacy and effectiveness of the College's risk management, control and governance processes. The Assurance Statement, provided by the Head of Internal Audit, is a key element of the framework of assurance that the Accounting Officer needs to inform this Governance Statement.

On the basis of the audit work performed during the 2012-13 financial year, the Head of Internal Audit has provided a Satisfactory Overall Assurance.

A summary of the findings from the reviews completed during 2012-13 is provided below:

Area reviewed	Assurance Rating
Corporate Governance and Risk Management	Substantial
General Financial Controls	Satisfactory
Financial Planning and Budgeting	Substantial
Procurement	Satisfactory
Data Integrity – Key Funding Streams	Satisfactory
Safeguarding Arrangements	Substantial
Mechanisms to Manage and Monitor Student Experience	Substantial

There were no Priority 1 issues highlighted in the 2012-13 Internal Audit Reviews.

Internal Audit arrangements were compliant with Government Internal Audit Standards (GIAS).

## Pay Remits

The College is required to comply each year with Department of Finance and Personnel (DFP) guidance on the approval of pay remits.

During the year it was identified that pay progression increments had been made to staff without receiving the required approval from DFP. Despite the payments being made in line with contractual obligations, the absence of DFP approval represents a breach of controls and has resulted in the payments being deemed irregular.

The value of the payments in the current year that did not receive approval was £1,016,882. Approval was also not received for 2009-10, 2010-11 and 2011-12. The value of payments deemed irregular in each of these years was £53,763, £206,448, and £567,675 respectively. This issue affects all six Colleges in the FE Sector. The irregularity is as a result of a failure to submit business cases to DFP for approval in advance of payment.

An issue has also been identified in relation to compliance with the pay remit guidance going forward. Clarification is needed on how the approvals process should be followed in circumstances where the contractual obligation for payment of progression increments to staff falls due prior to the issuing of the annual pay remit guidance by DFP. This matter will be discussed with DEL and DFP to establish the correct process to be followed.

### **Information Assurance**

Effective information security is a key priority for the College and it recognises that stringent principles of information security must be applied to all information it holds.

In 2012-13 the College expanded and developed the framework of Policies and Standard Operating Procedures surrounding information assurance and records management. The Policies and Procedures provide detailed guidance on information security, the roles and responsibilities, and the monitoring and reporting processes in place regarding information assurance. The framework of documents is regularly reviewed to ensure compliance with best practice.

In 2012-13 there were no instances of access to personal data that did not comply with the Data Protection requirements nor were any issues reported to the Information Commissioners Office. The College did not have any instances of breaches regarding personal data or records.

### **Office for National Statistics (ONS) Reclassification of Further Education Colleges**

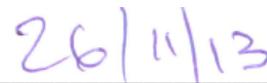
Until October 2010 ONS considered FE colleges across the United Kingdom to be autonomous, independent bodies not controlled by central government. Accordingly, ONS classified colleges as private sector, not for profit institutions serving households. However, on 26 August 2010, ONS wrote to the Treasury advising that they planned to revise that decision and reclassify FE colleges as Non-Departmental Public Bodies (NDPBs).

The main issue in determining that colleges should be reclassified as NDPBs is the degree of control that government has over the College. While this reclassification is the result of control technicalities, it has a number of significant implications for the College. This has a major impact on governance, on financial and accounting issues, on the nature of the relationship between the Department and the College, and on the legislative basis under which the College operates.

South Eastern Regional College continues to work with the Department to ensure that all requirements as a NDPB are incorporated within the governance and operation of the College.



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 2013 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.

#### **Qualified opinion on regularity arising from a failure to obtain DFP approval in advance of contractual salary payments made to staff**

During the year it was identified that pay progression increments had been made to staff without receiving the required approval from DFP. Despite the payments being made in line with contractual obligations, the absence of DFP approval represents a breach of controls and has resulted in the payments being deemed irregular by DFP. The value of the payments in the current year, and included within these financial statements, that did not receive approval was £1,016,882. Approval was also not received for payments made in 2009-10, 2010-11 and 2011-12. The value of payments deemed irregular in each of these years was £53,763, £206,448 and £567,675 respectively. This issue affects all six Colleges in the Further Education Sector in Northern Ireland. The irregularity is as a result of a failure to submit business cases to DFP for approval in advance of payment.

In my opinion, except for the irregular expenditure of £1,016,882 incurred where proper approval was not obtained, 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 2013 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 and the unaudited part of the Remuneration Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements 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 Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

## Report

Other than referred to above and on which basis I have qualified my audit opinion, 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*

*29<sup>th</sup> November 2013*

**SOUTH EASTERN REGIONAL COLLEGE**  
**INCOME AND EXPENDITURE ACCOUNT**  
for the year ended 31 July 2013

		2013	2012
	<u>Notes</u>	£'000	£'000
<b>INCOME</b>			
Department for Employment and Learning Grants	2	31,423	35,288
Education contracts	3	9,810	10,526
Tuition fees and charges	4	2,428	2,242
Other grant income	5	513	431
Other operating income	6	719	761
Investment income	7	<u>47</u>	<u>124</u>
<b>Total income</b>		<b>44,940</b>	49,372
<b>EXPENDITURE</b>			
Staff costs	8	27,633	25,729
Other operating expenses	10	18,256	22,281
Depreciation	13	<u>2,835</u>	<u>2,113</u>
<b>Total expenditure before exceptional items</b>		<b>48,724</b>	<b>50,123</b>
<b>(Deficit) on continuing operations after depreciation of assets at valuation and before tax and before exceptional items</b>		<b>(3,784)</b>	(751)
<b>EXCEPTIONAL ITEMS</b>			
Exceptional costs (staff)	8	-	78
Exceptional costs (non-staff)	10	<u>-</u>	<u>-</u>
<b>Deficit on continuing operations after depreciation of assets at valuation and before tax</b>		<b>(3,784)</b>	(829)
(Loss)/Profit on disposal of assets		<u>(370)</u>	<u>140</u>
<b>Deficit on continuing operations after depreciation of assets at valuation and disposal of assets but before tax</b>		<b>(4,154)</b>	(689)
Taxation	11	-	-
<b>Deficit on continuing operations after depreciation of assets at valuation and tax</b>	12	<b><u>(4,154)</u></b>	<b><u>(689)</u></b>

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 2013**

	<b>2013</b>	2012
	<u>Notes</u> <b>£'000</b>	£'000
Deficit on continuing operations after depreciation of assets at valuation and tax	<b>(4,154)</b>	(689)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	18 <u>1,515</u>	<u>750</u>
<b>Historical cost (deficit)/surplus for the year</b>	<b><u>(2,639)</u></b>	<b><u>61</u></b>

**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 2013**

		<b>2013</b>	2012
	<u>Notes</u>	<b>£'000</b>	£'000
Deficit on continuing operations after depreciation of assets at valuation and tax		<b>(4,154)</b>	(689)
Unrealised gain/(deficit) on revaluation of fixed assets	18	<b>4,245</b>	12,497
Actuarial (losses)/gains in respect of pension scheme	20	<b>2,665</b>	<u>(3,774)</u>
<b>Total recognised gains/(losses) for the year</b>		<b><u>2,756</u></b>	<u>8,034</u>

		<b>2013</b>	2012
		<b>£'000</b>	£'000
<b>Reconciliation of movement in reserves</b>			
<b>Opening reserves</b>		<b>38,500</b>	30,466
Total recognised gains /(losses) for the year		<b><u>2,756</u></b>	<u>8,034</u>
<b>Closing Reserves</b>		<b><u>41,256</u></b>	<u>38,500</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 2013

		<b>2013</b>	2012
	<u>Notes</u>	<b>£'000</b>	£'000
<b>Fixed assets</b>			
Tangible assets	13	<u>110,846</u>	<u>109,283</u>
<b>Total fixed assets</b>		<u>110,846</u>	<u>109,283</u>
<b>Current assets</b>			
Debtors	14	2,813	2,826
Assets held for sale		907	1,163
Cash at bank and in hand		<u>1,451</u>	<u>3,063</u>
<b>Total current assets</b>		<b>5,171</b>	7,052
Less: Creditors - amounts falling due within one year	15	<b>(2,560)</b>	(2,009)
Less: PPP finance lease creditor - amounts falling due within one year		<u>(922)</u>	<u>(877)</u>
<b>Net current assets</b>		<u>1,689</u>	<u>4,166</u>
<b>Total assets less current liabilities</b>		<b>112,535</b>	113,449
Less: Provision for liabilities and charges	16	<b>(133)</b>	(311)
Less: PPP finance leases – amounts falling due after more than one year		<u>(38,774)</u>	<u>(39,696)</u>
<b>Net assets excluding pension liability</b>		<b>73,628</b>	73,442
NILGOSC Pension fund creditor	20	<b>(1,970)</b>	(4,433)
<b>Net assets including pension liability</b>		<u>71,658</u>	<u>69,009</u>

**SOUTH EASTERN REGIONAL COLLEGE**  
**BALANCE SHEET (continued)**  
as at 31 July 2013

		2013	2012
	<u>Notes</u>	£'000	£'000
Deferred capital grants	17	<b>30,402</b>	30,509
<b>Reserves</b>			
Revaluation reserve	18	<b>41,293</b>	38,563
Income and expenditure account excluding pension deficit	19	<b>1,933</b>	4,370
Pension reserve	20	<u><b>(1,970)</b></u>	<u>(4,433)</u>
Income and expenditure account including pension deficit	19	<u><b>(37)</b></u>	<u>(63)</u>
<b>Total reserves</b>		<u><b>41,256</b></u>	<u>38,500</u>
<b>Total funds</b>		<u><b>71,658</b></u>	<u>69,009</u>

The financial statements on pages 38 to 69 were approved by the Governing Body of South Eastern Regional College on 26 November 2013 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 2013**

	<u>Notes</u>	<b>2013</b> <b>£'000</b>	2012 £'000
<b>Cash (outflow) from operating activities</b>	21	<b>(2,049)</b>	(21,483)
Returns on investments and servicing of finance	22	<b>47</b>	124
Capital expenditure and financial investment	23	<b>390</b>	19,961
Financing		<u>-</u>	<u>-</u>
<b>(Decrease) in cash in the year</b>	24	<b><u>(1,612)</u></b>	<b><u>(1,398)</u></b>

**Reconciliation of net cash flow to movement in net funds**

	<b>2013</b> <b>£'000</b>	2012 £'000
(Decrease) in cash in the year	<u><b>(1,612)</b></u>	<u>(1,398)</u>
Movement in net funds in the year	<b>(1,612)</b>	(1,398)
Net funds at 1 August	<u><b>3,063</b></u>	<u>4,461</u>
<b>Net funds at 31 July</b>	<b><u>1,451</u></b>	<b><u>3,063</u></b>

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 re-valued amounts. They also conform to the Accounts Direction issued by the Department for Employment and Learning (DEL).

#### **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 2013**

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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 College has fully adopted FRS 17 'Retirement Benefits' during the year. The impact of this standard has been reflected throughout the financial statements. Prior year comparatives have been restated where appropriate.

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

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

### **Tangible Fixed Assets**

#### **Land and buildings**

Land and buildings (including those inherited from the Education and Library Board) are stated in the balance sheet at valuation on the basis of depreciated replacement cost, 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 2013**

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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 under construction**

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2013. They are not depreciated until they are brought into use.

**Public Private Partnerships**

Where it is concluded that the College has an asset of the property and therefore a liability to pay for it, these are recorded on the balance sheet. The initial amount recorded for each is the fair value of the property. Subsequently, the asset is depreciated over its useful economic life and the associated liability is reduced as payments for the property are made. An imputed finance charge on the liability is recorded in subsequent years using a property-specific rate. The remainder of the PPP payment (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.

The College recognises the property when it comes into use, unless it bears significant construction risk, in this case the property is recognised as it is constructed.

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

### **Agency Arrangements**

The College acts as an agent in the collection and payment of 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. £41k was received from DEL which is available to the College to cover administration costs relating to EMA.

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 2013

**2. DEPARTMENT FOR EMPLOYMENT AND LEARNING GRANTS**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Recurrent grant	<b>24,182</b>	24,600
Release of deferred capital grants	<b>909</b>	531
Educational Maintenance Allowance Administration	<b>41</b>	38
Major Works	<b>21</b>	1
Learner Access and Engagement	<b>-</b>	22
Public Private Partnership (PPP)	<b>5,854</b>	9,779
Additional Support Funds (ASF)	<b>313</b>	246
Care to Learn	<b>64</b>	71
Other	<b>39</b>	-
	<b>31,423</b>	35,288

**3. EDUCATIONAL CONTRACTS**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Entitlement Framework	<b>1,034</b>	1,192
Training for Success/Jobskills	<b>7,112</b>	7,362
Steps to Work/New Deal	<b>1,664</b>	1,879
Training Organisation – Other	<b>-</b>	93
	<b>9,810</b>	10,526

**4. TUITION FEES AND CHARGES**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Higher Education (HE) income	<b>1,399</b>	1,069
Home and other European Union	<b>939</b>	1,043
Non-European Union	<b>90</b>	130
	<b>2,428</b>	2,242

**SOUTH EASTERN REGIONAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 July 2013

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**5. OTHER GRANT INCOME**

	<b>2013</b>	2013
	<b>£'000</b>	£'000
European funds	<b>99</b>	157
Other funds	<b>414</b>	274
	<b>513</b>	431

**6. OTHER OPERATING INCOME**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Catering and residence operations	<b>223</b>	200
Other income generating activities	<b>145</b>	165
Other income	<b>351</b>	396
	<b>719</b>	761

**7. INVESTMENT INCOME**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Other interest receivable	<b>47</b>	124
	<b>47</b>	124

**SOUTH EASTERN REGIONAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 July 2013**

**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:

	<b>2013</b>	2012
	<b>Number</b>	Number
Teaching	<b>448</b>	447
Support	<b>168</b>	165
Administration	<b>120</b>	130
Premises	<b>10</b>	11
<b>Total</b>	<b>746</b>	753

	<b>2013</b>	2012
	<b>£'000</b>	£'000
<b>Staff costs for the above persons</b>		
Teaching	<b>16,888</b>	16,230
Support	<b>3,780</b>	3,416
Administration	<b>6,338</b>	5,786
Premises	<b>424</b>	402
FRS 17 adjustment	<b>203</b>	(105)
	<b>27,633</b>	25,729
Exceptional staff costs (redundancy)	<b>-</b>	78
<b>Total</b>	<b>27,633</b>	25,807

Wages and salaries	<b>22,930</b>	21,616
Social Security costs	<b>1,710</b>	1,627
Other pension costs (including FRS 17 adjustments of £203,000 (2012: (£105,000)))	<b>2,993</b>	2,486
	<b>27,633</b>	25,729
Exceptional staff costs (redundancy)	<b>-</b>	78
<b>Total</b>	<b>27,633</b>	25,807

**SOUTH EASTERN REGIONAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 July 2013**

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:

	<b>Senior Post Holders</b>		<b>Other Staff</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
	<b>Number</b>	Number	<b>Number</b>	Number
£60,001 to £70,000	-	-	<b>7</b>	9
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	<b>3</b>	3	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	<b>1</b>	1	-	-
	<b>4</b>	4	<b>7</b>	9

**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.

	<b>2013</b>	2012
	<b>Number</b>	Number
The number of senior post-holders including the Chief Executive/Principal was:	<b>4</b>	4

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

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Salaries	<b>353</b>	353
Benefits in kind	-	-
Pension contributions	<b>48</b>	48
<b>Total emoluments</b>	<b>401</b>	401

**SOUTH EASTERN REGIONAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 July 2013**

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

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Salaries	<b>108</b>	108
Benefits in kind	<u>-</u>	<u>-</u>
	<b>108</b>	108
Pension contributions	<u>15</u>	<u>15</u>
	<b>123</b>	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 2013

**10. OTHER OPERATING EXPENSES**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Direct teaching	<b>849</b>	835
Direct support	<b>5,023</b>	5,076
Administration	<b>1,720</b>	1,858
Consultancy Fees	-	-
Premises	<b>2,942</b>	3,333
Impairment of Asset Held for Sale	<b>257</b>	-
Unitary payments – PPP operating cost	<b>5,176</b>	8,124
Unitary payments – PPP finance lease interest	<b>2,289</b>	3,055
	<b>18,256</b>	22,281
Exceptional costs (non staff)	-	-
<b>Total</b>	<b>18,256</b>	22,281

**Other operating expenses include:**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Auditors' remuneration:		
Financial statements audit	<b>22</b>	20
Internal audit	<b>14</b>	23
Other services provided by the financial statements auditor	<b>2</b>	-
Other services provided by the internal auditors	<b>18</b>	81
Hire of other assets – operating leases	<b>56</b>	50

**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**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
The deficit on continuing operations for the year is made up as follows:		
College's deficit for the year	<b>(4,154)</b>	<b>(689)</b>

**SOUTH EASTERN REGIONAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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
<b>Cost or valuation</b>									
At 1 August 2012	7,188	25,897	73,910	1,588	1,385	596	431	211	111,206
Additions	-	459	-	27	150	121	29	-	786
Disposals	(632)	-	-	-	-	-	-	-	(632)
Revaluation	(656)	1,305	3,725	-	-	-	-	-	4,374
<b>At 31 July 2013</b>	<b>5,900</b>	<b>27,661</b>	<b>77,635</b>	<b>1,615</b>	<b>1,535</b>	<b>717</b>	<b>460</b>	<b>211</b>	<b>115,734</b>
<b>Depreciation</b>									
At 1 August 2012	-	-	-	-	1,123	428	218	154	1,923
Charge for the year	-	840	1,745	-	113	86	35	16	2,835
Disposals	-	-	-	-	-	-	-	-	-
Revaluation	-	42	88	-	-	-	-	-	130
Reclassified Assets	-	-	-	-	-	-	-	-	-
<b>At 31 July 2013</b>	<b>-</b>	<b>882</b>	<b>1,833</b>	<b>-</b>	<b>1,236</b>	<b>514</b>	<b>253</b>	<b>170</b>	<b>4,888</b>
<b>Net book value at 31 July 2013</b>	<b>5,900</b>	<b>26,779</b>	<b>75,802</b>	<b>1,615</b>	<b>299</b>	<b>203</b>	<b>207</b>	<b>41</b>	<b>110,846</b>
Net book value at 31 July 2012	7,188	25,897	73,910	1,588	262	168	213	57	109,283

**SOUTH EASTERN REGIONAL COLLEGE**  
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**Surplus on Revaluation**

Land and buildings were last subject to a full revaluation at 31 July 2012 on a depreciated replacement cost basis. The valuations were performed independently by the Land and Property Service in accordance with Department specifications. Subsequently that revaluation was updated using indices supplied by Land and Property Service to provide a valuation as at 31 July 2013.

**Income & Expenditure Account – Depreciation**

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

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Charge for the year on owned assets	<b>1,090</b>	790
Accelerated depreciation on buildings	-	-
Charge for the year on PPP assets	<b>1,745</b>	<u>1,323</u>
Charge in the Income & Expenditure Account	<b>2,835</b>	2,113

**SOUTH EASTERN REGIONAL COLLEGE**  
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**14. DEBTORS**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Amounts falling due within one year:		
Amounts due from the Department	<b>1,640</b>	1,802
Amounts due from other central government bodies	<b>7</b>	23
Amounts due from local authorities	<b>12</b>	3
Amounts due from NHS bodies	<b>1</b>	6
Trade debtors	<b>330</b>	543
Prepayments and accrued income	<b>823</b>	449
	<b>2,813</b>	2,826

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN 1 YEAR**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Payments received in advance	<b>374</b>	376
Trade creditors	<b>944</b>	744
Taxation and social security	<b>585</b>	3
Trade accruals	<b>307</b>	630
Redundancy Accrual	<b>-</b>	29
Amounts owed to the Department	<b>317</b>	208
Amounts owed to other central government bodies	<b>18</b>	10
Amounts owed to local authorities	<b>15</b>	9
Amounts owed to NHS bodies	<b>-</b>	-
	<b>2,560</b>	2,009

**SOUTH EASTERN REGIONAL COLLEGE**  
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**16. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Litigation</b> <b>£'000</b>	<b>Other</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
At 1 August 2012	212	99	311
Income and Expenditure account	-	34	34
Expenditure in the period	<u>(212)</u>	<u>-</u>	<u>(212)</u>
At 31 July 2013	-	133	133

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. On the legal advice received from Counsel and the College solicitors, a global settlement of £210,000 was reached.

The other provision 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.

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

**SOUTH EASTERN REGIONAL COLLEGE**  
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**17. DEFERRED CAPITAL GRANTS**

	DEL grants £'000	<b>Total £'000</b>
At 1 August 2012		
Land and buildings	30,179	<b>30,179</b>
Other assets	<u>330</u>	<u><b>330</b></u>
	30,509	<b>30,509</b>
Cash received		
Land and buildings	437	<b>437</b>
Other assets	<u>478</u>	<u><b>478</b></u>
	915	<b>915</b>
Released to Income and Expenditure Account		
Land and buildings	(730)	<b>(730)</b>
Other assets	<u>(292)</u>	<u><b>(292)</b></u>
	(1,022)	<b>(1,022)</b>
At 31 July 2013		
Land and buildings	29,886	<b>29,886</b>
Other assets	<u>516</u>	<u><b>516</b></u>
<b>Total</b>	<u><b>30,402</b></u>	<u><b>30,402</b></u>

**18. REVALUATION RESERVE**

	<b>2013 £'000</b>	2012 £'000
At 1 August 2012	<b>38,563</b>	26,816
Revaluations in the period (as per note 13)	<b>4,245</b>	12,497
Transferred from revaluation reserve to general reserve in respect of:		
Depreciation of Revalued Assets	<b>(882)</b>	(408)
Disposals	<u><b>(633)</b></u>	<u>(342)</u>
<b>At 31 July 2013</b>	<u><b>41,293</b></u>	<u>38,563</u>

**SOUTH EASTERN REGIONAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**19. INCOME AND EXPENDITURE ACCOUNT**

**Income and expenditure account reserve**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
As at 1 August 2012	<b>(63)</b>	3,650
Deficit for the year	<b>(4,154)</b>	(689)
Transfer from revaluation reserve	<b>1,515</b>	750
Actuarial gains/(losses) in respect of pension scheme	<b>2,665</b>	(3,774)
<b>At 31 July 2013</b>	<b><u>(37)</u></b>	<b><u>(63)</u></b>
<b>Balance represented by :</b>		
Pension deficit	<b>(1,970)</b>	(4,433)
Income and expenditure account reserve excluding pension deficit	<b>1,933</b>	4,370
<b>At 31 July 2013</b>	<b><u>(37)</u></b>	<b><u>(63)</u></b>

**SOUTH EASTERN REGIONAL COLLEGE**  
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**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**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
NITSS: contributions paid	1,768	1,718
NILGOSC: contributions paid	1,017	954
NILGOSC: FRS 17 charge	<u>203</u>	<u>(105)</u>
NILGOSC: charge to the income and expenditure account (staff costs)	1,220	849
Enhanced pension charge to the income and expenditure account (staff costs)	<u>0</u>	<u>0</u>
<b>Total pension cost for the year</b>	<b><u>2,988</u></b>	<b><u>2,567</u></b>

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](http://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	7.9%
£32,000 to £39,999	8.8%
£40,000 to £44,999	9.2%
£45,000 to £74,999	10.1%
£75,000 to £99,999	10.6%
£100,000 and above	11.20%

**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.

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**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 2013 by a qualified independent actuary. Work on a new valuation as at 31 March 2013 is currently ongoing.

**Principal actuarial assumptions**

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

	<b>2013</b>	2012	2011
	%	%	%
Pension increase rate	<b>2.8</b>	2.2	2.7
Salary increase rate	<b>5.1</b>	4.5	5.0
Expected return on assets	<b>5.8</b>	4.9	6.4
Discount rate	<b>4.6</b>	4.1	5.3

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

	<b>2013</b>	2012
Current Pensioners		
Males	<b>22.9</b>	22.9
Females	<b>25.7</b>	25.7
Future Pensioners		
Males	<b>24.9</b>	24.9
Females	<b>27.7</b>	27.7

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

	<b>Long term rate of return expected at 31 July 2013</b>	<b>Value at 31 July 2013</b>	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
		<b>£'000</b>		£'000		£'000
Equities	<b>6.4%</b>	<b>21,004</b>	5.5%	16,265	7.0%	15,412
Bonds	<b>4.0%</b>	<b>3,316</b>	3.5%	2,897	4.6%	3,124
Property	<b>4.6%</b>	<b>2,211</b>	3.7%	2,005	5.1%	1,458
Cash	<b>3.4%</b>	<b>1,106</b>	2.8%	1,114	4.0%	833
<b>Fair value of assets</b>		<b>27,637</b>		22,281		20,827
Present value of liabilities		<b>(29,606)</b>		(26,714)		(21,593)
Deferred tax liability		-		-		-
<b>(Deficit) in the scheme</b>		<b>(1,970)</b>		(4,433)		(766)

**SOUTH EASTERN REGIONAL COLLEGE**  
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<b>Recognition in the balance sheet</b>	<b>2013</b>	2012
	<b>£'000</b>	£'000
Present value of funded liabilities	<b>(29,576)</b>	(26,686)
Fair value of employer assets	<b>27,637</b>	22,281
	<b>(1,940)</b>	(4,405)
Present value of unfunded liabilities	<b>(30)</b>	(28)
<b>Net liability</b>	<b>(1,970)</b>	<b>(4,433)</b>

**Recognition in the Income and Expenditure account**

	<b>£'000</b>	£'000
Current service cost	<b>1,216</b>	966
Interest cost on pension liabilities	<b>1,116</b>	1,169
Expected return on pension scheme assets	<b>(1,112)</b>	(1,360)
Past service cost	-	-
Losses on curtailments and settlements	-	74
<b>Total</b>	<b>1,220</b>	<b>849</b>

**Analysis of pension finance (cost)/income**

Expected return on pension scheme assets	<b>1,112</b>	1,360
Interest cost on pension liabilities	<b>(1,116)</b>	(1,169)
<b>Pension finance (cost)/income</b>	<b>(4)</b>	<b>191</b>

**Actuarial Gains/(Losses) recognised in STRGL**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
As at 1 August as stated	<b>(4,433)</b>	(766)
Current service cost	<b>(1,216)</b>	(966)
Employer contributions	<b>1,017</b>	954
Contributions in respect of unfunded benefits	<b>2</b>	1
Losses on curtailments and settlements	-	(74)
Net Interest/Return on Assets	<b>(4)</b>	191
Past service cost	-	-
Actuarial Gain/(Losses)	<b>2,665</b>	(3,774)
<b>(Deficit) in scheme at 31 July</b>	<b>(1,970)</b>	<b>(4,433)</b>

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**Reconciliation of Defined Benefit Obligation**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
<b>Liabilities at 1 August</b>	<b>26,714</b>	21,593
Current service cost	<b>1,216</b>	966
Interest cost	<b>1,116</b>	1,169
Employee contributions	<b>337</b>	311
Actuarial losses/(gains)	<b>751</b>	3,011
Past service cost/(gain)	<b>-</b>	-
Estimated unfunded benefits paid	<b>(2)</b>	(1)
Estimated benefits paid	<b>(526)</b>	(409)
Losses on curtailments and settlements	<b>-</b>	74
	<hr/>	<hr/>
<b>Liabilities at 31 July</b>	<b>29,606</b>	26,714

**Reconciliation of Fair Value of Employer Assets**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
<b>Assets at 1 August</b>	<b>22,281</b>	20,827
Expected return on employer assets	<b>1,112</b>	1,360
Actuarial Gains/(Losses)	<b>3,416</b>	(762)
Employer contributions	<b>1,017</b>	954
Contributions in respect of unfunded benefits	<b>2</b>	1
Employee contributions	<b>337</b>	311
Estimated unfunded benefits paid	<b>(2)</b>	(1)
Estimated benefits paid	<b>(526)</b>	(409)
	<hr/>	<hr/>
<b>Assets at 31 July</b>	<b>27,637</b>	22,281

The estimated value of employer contributions for the year ended 31 July 2014 is £1,106,000.

**History of experience gains and losses**

	<b>2013</b>	2012	2011	2010	2009
	<b>£'000</b>	£'000	£'000	£'000	£'000
Difference between the expected and actual return on employer assets	<b>3,421</b>	(757)	1,117	1,552	(1,941)
Fair value of employers assets	<b>27,637</b>	22,281	20,827	15,409	12,098
Experience gains and losses on scheme liabilities	<b>(2)</b>	(214)	3,525	-	-
Present value of liabilities	<b>29,606</b>	26,714	21,593	23,037	20,662
Actuarial Gains/(Losses) recognised in STRGL	<b>2,665</b>	(3,774)	7,081	(126)	(4,444)
Present value of liabilities	<b>29,606</b>	26,714	21,593	23,037	20,662

**SOUTH EASTERN REGIONAL COLLEGE**  
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**21. RECONCILIATION OF OPERATING DEFICIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Deficit on continuing operations after depreciation of assets at valuation	<b>(4,154)</b>	(689)
Depreciation (note 13)	<b>2,835</b>	2,113
Impairment of Asset Held for Sale	<b>257</b>	
Deferred capital grants released to income (note 17)	<b>(1,022)</b>	(531)
Interest receivable (note 7)	<b>(47)</b>	(124)
Pension gain/(cost) less contributions payable (note 20)	<b>203</b>	(105)
(Increase)/Decrease in debtors	<b>13</b>	359
Increase/(Decrease) in creditors	<b>551</b>	(1,458)
(Decrease)/Increase in PPP creditor	<b>(877)</b>	(21,007)
Loss/(Profit) on sale of tangible assets	<b>370</b>	(140)
(Decrease)/Increase in provisions	<b>(178)</b>	99
	<hr/>	<hr/>
<b>Net cash (outflow) from operating activities</b>	<b>(2,049)</b>	(21,483)

**22. RETURN ON INVESTMENT AND SERVICING OF FINANCE**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Other interest received	<b>47</b>	124
	<hr/>	<hr/>
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>47</b>	124

**23. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Purchase of tangible fixed assets	<b>(786)</b>	(515)
Deferred capital grants received	<b>915</b>	19,994
Proceeds on sale of fixed assets	<b>261</b>	482
	<hr/>	<hr/>
<b>Net cash inflow from capital expenditure and financial investment</b>	<b>390</b>	19,961

**SOUTH EASTERN REGIONAL COLLEGE  
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**24. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 Aug 2012 £'000	Cash flows £'000	At 31 July 2013 £'000
Cash in hand and at bank	3,063	(1,612)	1,451
	<u>3,063</u>	<u>(1,612)</u>	<u>1,451</u>
Financing	-	-	-
<b>Total</b>	<u><u>3,063</u></u>	<u><u>(1,612)</u></u>	<u><u>1,451</u></u>

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

	2013 £'000	2012 £'000
Accrual as at 1 August	29	1,025
Income and expenditure account charge	-	78
Operating cash outflow	<u>(29)</u>	<u>(1,074)</u>
Accrual as at 31 July	-	29

**26. POST BALANCE SHEET EVENTS**

There are no post balance sheet events.

	2013 £'000	2012 £'000
<b>27. CAPITAL COMMITMENTS</b>		
Contracts placed for future capital expenditure not provided in the financial statements	<u>-</u>	<u>-</u>

**28. FINANCIAL COMMITMENTS**

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

	2013 £'000	2012 £'000
<b>Land and buildings</b>		
Expiring within one year	14	14
Expiring within two and five years inclusive	17	-
Expiring in over five years	-	-
	<u>31</u>	<u>14</u>
<b>Plant and Equipment</b>		
Expiring within one year	11	43
Expiring within two and five years inclusive	-	-
Expiring in over five year	-	-
	<u>11</u>	<u>43</u>
<b>Total</b>	<u><u>42</u></u>	<u><u>57</u></u>

**SOUTH EASTERN REGIONAL COLLEGE**  
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**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.

<b>Organisation</b>	<b>Governor/Director &amp; Position in Organisation</b>	<b>Paid <u>to</u> the Company 2013 £'000</b>	<b>Paid <u>to</u> the Company 2012 £'000</b>	<b>Outstanding at 31 July 2013 £'000</b>	<b>Outstanding at 31 July 2012 £'000</b>	<b>Paid <u>by</u> the Company 2013 £'000</b>	<b>Paid <u>by</u> the Company 2012 £'000</b>	<b>Outstanding at 31 July 2013 £'000</b>	<b>Outstanding at 31 July 2012 £'000</b>
Colleges NI	Ken Webb <i>Chair of Finance &amp; Audit Committee CNI</i>	107	104	-	-	3	1	-	-
Confederation of British Industry	Ken Webb <i>Northern Ireland Council Member</i>	11	13	-	1	-	-	-	-
Construction Industry Training Board	Michael Malone <i>Standards Committee Member, CITB</i>	34	26	-	1	-	1	-	-
	Thompson Keating <i>Board Member, CITB</i>								
Engineering Training Council	Michael Malone <i>Director, ETC</i>	16	10	2	2	18	-	-	18
Northern Ireland Tourist Board	Thompson Keating <i>Board Member, NITB</i>	2	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
		2013	2012	2013	2012	2013	2012	2013	2012
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Association for Geographical Information	Ken Webb <i>Committee Member, AGINI</i>	1	1	-	-	-	-	-	-
University of Ulster	Heather Farley <i>Head of Department, UU</i>	27	43	-	-	134	86	16	-
	Gareth Hetherington <i>Associate Director, NI Centre for Economic Policy, UU</i>								-
Lisburn City Centre Management	Michael Malone <i>Member, LCCM</i>	1	1	-	-	2	2	-	-
Stranmillis University College	Neil Bodger <i>Governor, Stranmillis UC</i>	5	7	-	-	-	-	-	-
South Eastern Education & Library Board	Alice Lennon <i>Senior Education Officer, SEELB</i>	-	-	-	-	17	10	-	-
Southern Education & Library Board	Neil Bodger <i>Appeals Chair, SELB</i>	1	-	-	-	1	1	-	-
Thermus Astar Ltd	Neil Bodger, <i>CEO, Thermus Astar</i>	-	-	-	-	-	5	5	-

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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
		2013	2012	2013	2012	2013	2012	2013	2012
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grainger Building Services	Edward Jackson <i>Financial Director, Grainger Building Services</i>	-	-	-	-	-	1	-	-
National Museums NI	Neil Bodger <i>Trustee, National Museums NI</i>	1	-	-	-	1	-	-	-
NI Chamber of Commerce	Heather Farley, <i>Council Member, NICC</i>	4	-	-	-	-	-	-	-
Northern Ireland House Executive	David Lamb, <i>Assistant Director of Finance, NIHE</i>	-	-	-	-	1	-	-	-
	Mark Graham, <i>Head of Development, NIHE</i>								

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.

**SOUTH EASTERN REGIONAL COLLEGE**  
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**30. LOSSES AND SPECIAL PAYMENTS**

	<b>2013</b> <b>£'000</b>	2012 £'000
Bad Debt Write Off (11 cases)	<u>3</u>	-
	<b>3</b>	-

**31. HARDSHIP FUNDS**

	<b>2013</b> <b>£'000</b>	2012 £'000
Balance at 1 August	<b>208</b>	50
DEL grants	<u>86</u>	<u>281</u>
	<b>294</b>	331
Disbursed to students	<u>(143)</u>	<u>(123)</u>
Balance unspent at 31 July	<b>151</b>	208

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, in 2011/12, 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.

At the date of the bullet payment the College had disposed of one property. Subsequent to the bullet payment and the 31 July 2012 balance sheet the College sold a further two properties with net proceeds of £242k. In 2012/13 the College sold a subsequent property with net proceeds of £261k.

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.